

Business interest associations: a service to the industry

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1. Introduction

The last decades of the 19th and the first decades of the 20th century witnessed the foundation of many business interest associations or trade associations in the Netherlands as well as in other European countries. In both liberal-oriented and coordinated market economies businessmen reacted to the roughness of the free market capitalism and the interfering government by organizing themselves. In order to compensate for shortcomings of the market, but also to preempt state intervention, businessmen willingly banded together and agreed on mutual rules of conduct, limiting their own individual autonomy.

The emergence of the business interest groups is often seen as a reaction to two different developments. On the one hand it is explained by the appearance of trade unions, which stimulated collusion among businessmen. Entrepreneurs thought it necessary to organize as a kind of countervailing power. Especially within the theory on corporatism this is seen as one of the most important incentives for the emergence of business interest associations. Structure and performance of business interest associations are in this vision induced and determined by other organizations, like the state or trade unions.¹ On the other hand, economic determinants should also be taken into account to explain the increase of joint action among businessmen. Entrepreneurs focus on profitability, efficiency, quality and technical progress. To eliminate risks and control prices and production, firms formed associations.² Stressing these factors, business

¹ See for example: F. van Waarden, *Organisatiemacht van belangenverenigingen; de ondernemersorganisaties in de bouwnijverheid als voorbeeld* (Amsterdam 1989) 35 ff

² J.L. van Zanden and R.T. Griffiths, *Economische geschiedenis van Nederland in de 20e eeuw* (Utrecht: Het Spectrum 1989) 88-108; A.D. Chandler, *The visible hand; the managerial revolution in American*

interest associations should be seen as a step in the sequence of collusive practices, ranging from informal agreements and cartelization to full mergers and acquisitions.³

In contemporary literature the economic factors were also seen as one of the chief functions of an association. Liefman already in 1920s stressed the importance of these motives for the rise of trade associations and other forms of cooperation between companies. But also more recent scientists like Wilson and Lypczynski stress the collusive motives behind the trade associations.⁴ It should be noted that as long as these associations did not attempt to interfere with the independent decision-making of its members, the association ought to be seen as an organization separate from a cartel. When the associations devote themselves to other activities, such as fixing prices, restriction of output or allocation of specific markets to different firms, they cannot longer be seen as non-competitive organizations. As Chandler and others made clear, the line between these two different purposes can be blurred.⁵ The associations of employers are an ideal scaffold to make arrangements on prices, production and sales. One could argue that the continuing price decline, which became increasingly ponderous after the 1870's was an important incentive to form associations of business men. In the words of Chandler the associations were the practical response to rising output and falling prices. The associations mainly tried to maintain prices by curtailing production.⁶

In the Dutch case this seems not to be very decisive in explaining the emergence of business interest associations. Though, both factors are recognized in literature, the empirical foundation is rather thin. Compared to trade unions little attention has been paid to business interest associations. Studies dealing with these organizations are scarce and the reasons and possibilities for the existence of business interest associations are still insufficiently explored. Moreover, the effects on markets and prices of these corporations

business (Cambridge/Mass./London: The Belknap Press of Harvard University Press 1977) 316-317; S. Casper, 'Contract law and corporate strategies' in: P. A. Hall and D. Soskice, *Varieties of capitalism; the institutional foundations of cooperative advantage* (Oxford: Oxford University Press) 394-395

³ See, for example: B. Bouwens and J. Dankers, *Behind the clouds, cooperation in Dutch business around 1900* (paper ABH Nottingham, 2004)

⁴ R. Liefmann, *Kartelle, Konzerne und Trusts* (Stuttgart: E.H. Moritz⁷ 1927) 1-2; J. Lypczynski and J. Wilson, *Industrial Organisation; an analysis of competitive markets* (Harlow, England: Prentice Hall 2001) 53-57

⁵ A.D. Chandler, *The visible hand; the managerial revolution in American business* (Cambridge, Mass.: The Belknap Press 1977) 315-317

⁶ *Ibid.*

are still very uncertain. Were they mobilising power to answer the challenges of the organised employees and an instrument in the accomplishment of collective bargains? Or were they making price settings, forcing competing producers to cut or raise production and thus setting a cartel for their branch? Were these associations fighting tariffs or lobbying for protection of the national industry by high tariff walls? Were they from the beginning tight, national organisations, or did they begin as a rather loose local or regional cooperation of producers in the same industry? How did these business interest organisations fit into the Dutch political and economic system? Here we will try to answer some of these questions for the Dutch case.

The emergence, stability and success of business interest associations during the last decades of the 19th and the first decades of the 20th century are the focus of this paper. The first section of this paper presents a general outlook on the associations during this period. It focuses on the emergence of the associations and their main characteristics. The next paragraph discusses the developments of the different corporations in the light of the debate mentioned above and the role of these corporations within the specific Dutch business system. The third section looks at the case of the Association for the Paper Industry in the Netherlands that was founded in 1904. This part deals with questions about stability and success of business interest associations and tests the assumptions of the second paragraph. The case study will shine a light on the direction of this specific business interest association and reveal the elements that gave origin to the well being of the organization.

2. Business interest associations in the Netherlands

From the 1880s onwards many business interest associations were founded. The Dutch sociologist Frans van Waarden did research after these kinds of alliances between businessmen. He explained the increase of business interest associations at that moment as a direct consequence of the agrarian crises of these years. The fierce competition within many trades and industries stirred the foundation of these organizations. The members of the different associations tried to abash low quality products and

falsifications and raise the standards of the specific craft. This would allow price subsistence and discourage newcomers to enter the market.⁷

The 1880s were a caesura in this respect. Yet cooperation was not entirely new. Different associations of businessmen existed already before the crises of the 1870s. Very often these were common societies, organizing businessmen from different industries. In many cases these associations were regional and promoted shared interests on for example infrastructure, taxes, national trade-policy or education of employees. The Chambers of Commerce that occurred after the abolishment of the guilds during the Napoleon period were among the most important organizations of the early 19th century. After 1815 they became a significant prolocutor of employers' interests. Until 1920 these Chambers of Commerce main task was an advisory one. After the introduction of a new law the executive tasks increased and the Chambers got, for example, the responsibility to enter all companies in their registers. During the inter war period the 36 regional Chambers became a semi-public institution. As an advisory board of the government they could not play a part in the negotiations of the employers with the trade unions. Because of the geographical organization, the Chambers were neither a powerful platform of restrictive trade strategies among businessmen.⁸ For that reason after 1880 the nature of joint actions altered and a horizontal concentration of organization of business took place. Businessmen from same crafts or industries tried to incorporate their individual perspectives into organizations of a more economic homogeneity.

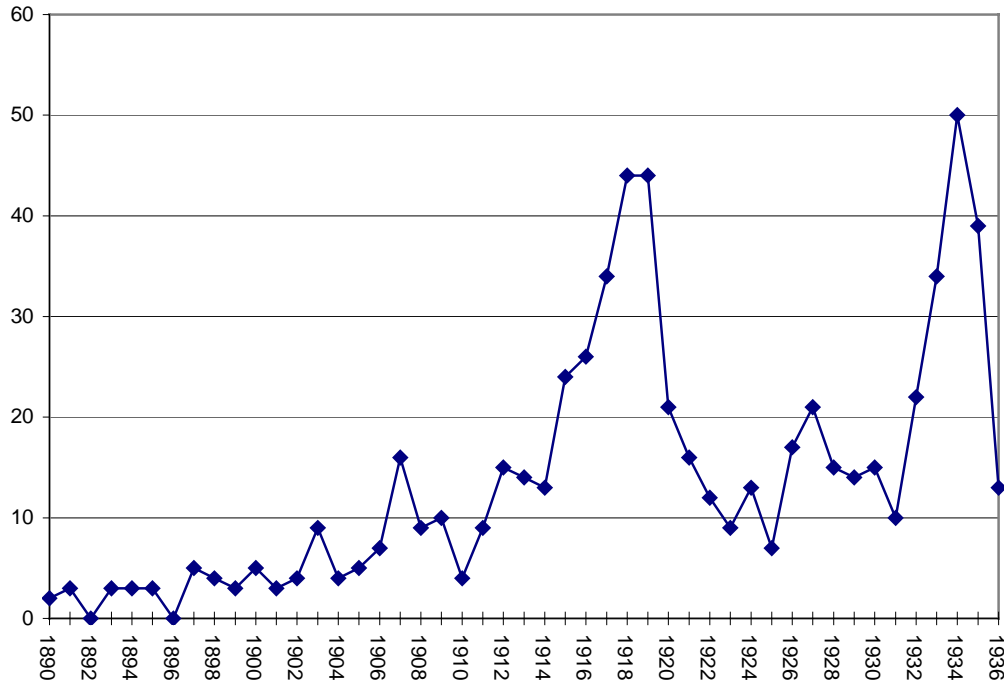
A very important source to examine the emergence and existence of the specific business interest associations are the surveys that were published by the Dutch Ministry of Economic Affairs in 1907, 1909, 1914, 1920, 1929 and 1936. Though the format of these sources is not very consistent, the surveys provide us a lucid comprehension of the way Dutch businessmen organized themselves. Especially during the first decades of the 20th century the number of organizations increased enormously. Between 1907 and 1920 the administrators counted an increase from 342 to 1666. This expansion was, however,

⁷ F. van Waarden, 'Regulering en belangenorganisatie van ondernemers' in: F.L. van Holthoon (ed.), *De Nederlandse samenleving sinds 1815; wording en samenhang* (Assen/Maastricht: Van Gorcum 1985) 232-233

⁸ W. van den Broeke and B. Bouwens, *Op streek geraakt; Het Rivierengebied en de Kamer van Koophandel voor Zuid-West Gelderland (1842-1992); de economische en sociale geschiedenis van een regio* (Tiel: KvK 1992) 9-13

mainly due to the improved methods of collecting data. Every survey-update contained new associations that in fact existed already much longer. A major problem in analyzing the business interest associations was the instability of these corporations. Associations fell apart and disappeared, dissenting groups split off and formed new alliances, other associations were created and existing forms of co-operation were centralized or decentralized. The administrators must have been puzzled. These problems were solved after 1920, when the government only collected the data of the most important and stable associations. So, while the first surveys contained many small and trivial local associations of shopkeepers, traders and craftsmen, which were characterized by a very narrow geographical and economic significance, the reviews after 1920 dealt with relative important and powerful organizations. As a result in 1936 the Ministry of Economic Affairs presented 748 associations of shopkeepers, craftsmen, manufacturers and traders. Most of these associations were founded during World War I and during the crisis of the 1930s (see graph 1).

Graph 1: Dutch business interest associations in 1936: year of formation, 1890-1936⁹



Merchants and wholesalers organized about one third of the business interest associations in 1936. Shopkeepers and craftsmen were represented in another 30 percent of the associations. Manufacturers founded about 20 percent of the organizations in 1936. The remaining associations were organizations of service providers like assurance companies and financial institutions or more general associations of employers. It should be noted that these figures are not complete. As mentioned above, the surveys did not include smaller associations, so shopkeepers and craftsmen who were mainly locally or regionally organized were not included. Nevertheless these data give a good impression of the tight organization of Dutch businessmen in the first part of the 20th century.

Van Waarden saw the first associations, which were founded during the last decades of the 19th century as the old and repudiated guilds of the early modern epoch. These were local organizations that reacted and anticipated on local or regional

⁹ *Verlagen en mededelingen van de Afdeling Handel van het Departement van Landbouw, Nijverheid en Handel; Overzicht van de in Nederland bestaande patroonsverenigingen* (Den Haag 1936): National Archives The Hague, inv. 2.06.001, number 3986

exposures.¹⁰ In the surveys of the Ministry of Economic Affairs after 1920, which were selections of the most important associations, still one quarter of the associations found their significance and roots in a local or regional setting. However, by far most associations represented businessmen from all over the country. Many of these national associations were alliances of local or regional organizations. For example the Association for wholesalers of textiles was a federation of 97 individual members and 6 local corporations. The national association of drugstores listed 897 members in 14 districts. The 'Middenstandsbond' that was founded in 1902 counted at the end of the 1930s almost 300 organizations of shopkeepers, wholesalers and craftsmen. This association represented over 30.000 businessmen. So in fact there were different levels of local, regional and national organization, which illustrates the high level of organizations of Dutch business.

Especially the national organizations of shopkeepers and craftsmen were huge organizations, often counting more than 5000 members. The lists of members of the associations of manufacturers were of course less impressive, but were certainly not less powerful. For example, all producers of glass were associated in one organization. The associations of marmalade, paper and board, sugar, alcohol, textiles and bricks were also very tight organizations, representing an ample part of the industry.¹¹ Sometimes different or even similar business interest associations for one sector existed at the same time. One the eve of World War II, for example, 7 associations dealt with matters concerning the sugar industry. Manufacturers, wholesalers and exporters had their own organizations. The sugar producing companies organized themselves in an association for technical assistance, but at the same time there was a split-up between private and co-operative companies on more economic affairs. The survey of 1936 counted also 17 associations related to the textile industry. This was due to the existence of several local associations of businessmen. Also specialization within the industry and the alliances of both spinners and weavers in their own societies caused this large number of organizations. The existence of several associations in one craft or industry was generally

¹⁰ F. van Waarden, 'Regulering en belangenorganisatie' 232

¹¹ J. Faber, *Kennisverwerving in de Nederlandse industrie 1870-1970* (Amsterdam: Aksant 2001) 111, J. Dankers and J. van der Linden, *Samensmeltend glas; honderd jaar NV Vereenigde Glasfabrieken, 1899-*

a territorial matter, as it was in the case of most associations of shopkeepers and craftsmen. From time to time the presence of similar associations was also the result of different aims or political and religious views. The business interest associations in the Netherlands mirrored the 'pillarisation' of Dutch society. Especially shopkeepers and craftsmen were associated along religious lines. This should however not be overestimated. Only 12 percent of the associations counted by the Ministry of Economic Affairs in 1936 proclaimed themselves as religiously conscientious. Probably the number of associations split up by diverging religious understanding will be much larger, because of the selection of the surveys. Nevertheless, the surveys make clear that especially Roman-Catholic businessmen in the southern part of the Netherlands were often members of an association uniting kindred spirits. The emphasis of the Roman Catholic Church on corporatism and the stimulating role of the priests can explain this.¹²

One of the interesting questions with regard to the business interest associations is the stability of the organizations. Graph 1 deals with the organizations in 1936 and indeed, the chart makes clear that many associations do have a long record. On the other hand, the surveys of the Ministry of Economic Affairs are far from complete. 1936 is just a sample survey. A comparison of the early surveys of 1907, 1909 and 1914 makes clear that many associations were founded for the short term. Though the number of associations tripled between 1907 and 1914, the number of founded organizations was much higher. Very often associations were founded and registered in the surveys of the government, but disappeared after a few years. Thus these organizations were not very stable. Often they were not able to keep their members together or after a couple of years the interest of the members declined. This suggests that a substantial part of these organizations were founded for a specific goal and were dismantled as soon as this was reached or the specific case was no longer of any importance.

1999 (Amsterdam: Boom 2001) 19; B. Bouwens, *Alcoholcompany on the move; one hundred years of Nedalco* (The Hague: Sdu 1999) 13-17

¹² F. van Waarden, 'Regulering en belangenorganisatie' 233-234; G.C.P. Linssen, *Werkgeversorganisaties in katholiek patroon; een schets van ontstaan en uitbouw van de diocesane verenigingen van werkgevers in het zuiden van Nederland* (Tilburg: Stichting Zuidelijk Historisch Contact 1978)

3. Business interest associations: between market and state

Cooperation between businessmen is as old as the hills. Collusion can be seen as a way of easing the pressures of competition by unified action and can be necessary – from the point of view of the firm – because the operation of the free market is capricious and unpredictable. Competitors, but also suppliers and consumers can be a threat to the efficiency and profitability of firms. Besides, the government can influence the competition among businessmen by promoting free trade or on the contrary protect the industry by tariffs. Governments not only formulate the rules and procedures of economic competition, but also try to advance normative policies of the firms, such as economic prosperity and welfare of employees.

All these uncertainties and risks encourage firms to arrange some form of collusion in their industry. Collusion is however not a homogeneous type of behavior. Very different forms can be observed. During the last decades of the 19th century and the first decades of the 20th collusive practices ranged from informal understanding within the industry regarding trade practices to formal agreements on prices, production quota, qualities and markets. In this section we will analyze the nature of the business interest associations in the Netherlands. What is it that business interest associations did and to what extent can these actions be regarded as competitive or anti-competitive? Why was self-regulation of businessmen on the rise during the first decades of the 20th century?

The associations that were included in the surveys of the Dutch Ministry of Economic Affairs were very dim and unspecific about the intentions of their organizations. Mostly they stated to represent common interests of the industry – whatever that might be – and especially the stakes of the specific branch. Only a few associations were more open about their aims. The objectives of these organizations differed and ranged from joint actions on a scientific research program, the organization of an exhibition of all the products of the industry, to prevention of abuses or forgeries of specific qualities. Sometimes associations' main goal was to organize the branch against the employees that were already involved in trade unions and to negotiate in name of the

industry on terms of employment. Especially many associations that were founded after 1920 took these intentions prominently in their statutes.

Only a few associations stated emphatically to represent economic interest of an industry through cartel agreements. It should however be considered that even business interest associations with rather clear statutes could be very ambiguous in their activities. As mentioned above the line between competitive and non-competitive actions could be blurred and the associations often were the ideal meeting place for businessmen to settle arrangements other than avowed in the statutes. This will be illustrated in the following case of the Association for the Paper industry in the Netherlands (section 4).

Traditionally, the emergence of business interest associations during the first decades of the 20th century has been explained as a countervailing action of businessmen towards the success of trade unions. During the 1910s these organizations increased exceedingly in the Netherlands and the number of employees that joined these unions tripled to 683.000. In 1920, about 40 percent of the employees belonged to one of the trade unions.¹³ This was partly due to the economic prosperous performance of industry and the increasing costs for living at the same time. Higher wages and salaries were therefore desired and the trade unions became the main instruments to achieve these claims. The power of the trade unions was augmented through a process of centralization.¹⁴ At the turn of the century terms of employment was as a rule a matter of private employers and their employees. It was not until the 1920s that number of collective bargains increased. This was merely a reflection of the increasing influence of the government on the social-economic affairs after World War I and especially during the 1930s.¹⁵ It should however be noted that most agreements between employees and employers still had a strong local or regional disposition.

¹³ J.P. Windmuller, C. de Galan and A.F. van Zweeden, *Arbeidsverhoudingen in Nederland* (Utrecht 1990⁷) 58-59

¹⁴ J.L. van Zanden and R.T. Griffiths, *Economische geschiedenis van Nederland in de 20e eeuw* (Utrecht: Het Spectrum 1989) 88-89

¹⁵ J.L. van Zanden, *Een klein land in de twintigste eeuw; economische geschiedenis van Nederland 1914-1995* (Utrecht: Het Spectrum 1997) 82-86

Table 1: collective bargains, 1911-1939¹⁶

	Collective bargains	Firms involved per collective bargain	Employees involved per collective bargain
1911	87	13	264
1920	966	23	283
1930	1538	15	251
1939	1666	36	194

The growth of the number of collective bargains was the result of increasing organization of both employees and employers. The extent or magnitude of the bargains decreased during the interwar years, which can also be seen as a result of the growing number of business interest associations. Membership of a business interest association became more attractive, especially after 1937, when the government introduced the Act on Collective Wage Agreements, which made these collective bargains compulsory for all employees in the branch concerned. The wage agreements got a more public character and became binding also for those employers and employees, not represented by negotiating partners. If a firm wanted to have influence on the wages that they were going to pay, the only way was to become a member of the association and voice its opinion.¹⁷

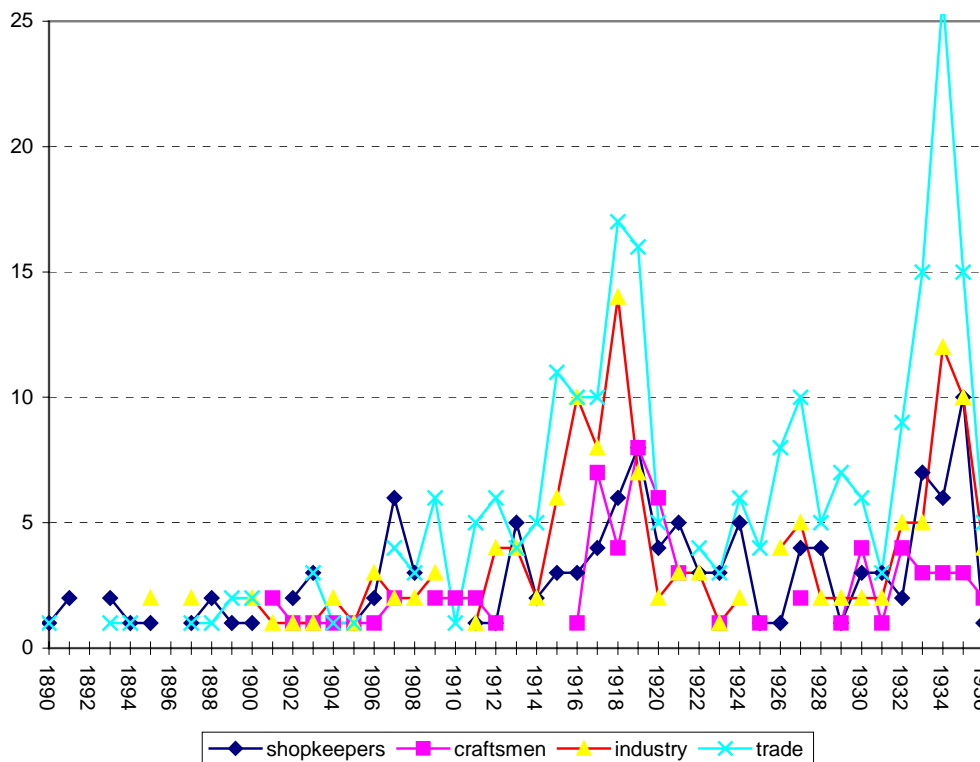
At the same time, the emergence of business interest associations reflects the economic development of the first decades of the 20th century. As we saw, most associations were founded during World War I and its direct aftermath and during the economic crisis of the 1930s. One could argue that the business interest associations were particularly ‘Kinder der Not’, founded to eliminate risks and to protect existing business interest and to control the circumstances of increasing competition. Especially firms that relied on trade were attentive to these developments of the business cycle and were the first to organize themselves through business interest associations. It’s striking in periods of economic setback, World War I and the Depression, organization increased at all

¹⁶ J.L. van Zanden and R.T. Griffiths, *Economische geschiedenis* 97

¹⁷ J.P. Windmuller, C. de Galan and A.F. van Zweeden, *Arbeidsverhoudingen in Nederland* 72-73

sectors. Shopkeepers, craftsmen, wholesalers, international merchants, service providers and manufacturers organized themselves during these two periods (see graph 2) The peaks can even be intensified, because many organizations were only founded for a short period on an ad hoc consideration.¹⁸ The organisation of business interest in associations was obviously a general strategy of all categories of entrepreneurs during periods of decline.

Graph 2: Dutch business interest associations of shopkeepers, craftsmen, manufacturers and merchants in 1936, year of foundation, 1890-1936



What in fact were the main functions of these organizations? During the first decades of the 20th century Dutch business associations performed a variety of functions that can broadly be divided in three categories. Many associations focused on enhancing political influence and specifically influence the regulation of relations with employees. The Vereeniging van Nederlandsche Werkgevers (National Employers' Association) was

¹⁸ F. van Waarden, 'Regulering en belangenorganisaties van ondernemers' 235

founded in 1899 in order to gain influence on the workmen's compensation act that could be seen as the first of a series of social security acts.¹⁹ But also smaller associations tried to enhance their influence and voiced their opinions in the direction of local, regional or national authorities. Many associations focused on writing petitions to governments to improve the circumstances of doing business.

Business interest associations were also founded because businessmen of a same branch of industry wanted to participate in the regulatory process. Many industries relied on the practice of self-regulation, using the business interest associations to enforce rules and market controls. Self-regulation was often an attempt to make the business more stable, predictable and understandable. Short-term profit maximization was not always necessarily their goal. Nowadays self-regulation may refer to deregulation of the central government and reshaping power structures toward industry (for example through conventions), before World War II self-regulation primarily involved practices to prevent state-intervention. The establishment of several associations of cooperative dairy factories at the turn of the century is an appealing example. Many producers of butter tampered with quality standards and the associations were founded to tackle this problem. By taking up wholesale-activities themselves, creating terms and conditions of sale and advertisement they tried to organize a fair competition.²⁰

Finally, the third function of business interest associations could be summarized as an internal and more economic issue. The associations provided their members with information on sales, production capacity, employment, and creditworthiness of customers, quality of products and innovatory activity. They could also encourage activities intended to reduce inefficiencies and promote better relations with trade unions and governments. In the Dutch case this seems to be an important reason for the emergence of business interest associations. Indeed, smaller associations that united most firms of a specific trade often used the organizations as a meeting place to conclude agreements on prices and production. As will become clear from the case of the

¹⁹ J. Bruggeman and A. Camijn, *Ondernemers verbonden; 100 jaar centrale ondernemingsorganisaties in Nederland* (Wormer 1999) 78-79

²⁰ J.C. Dekker, *Zuivelcoöperaties op de zandgronden in Noord-Brabant en Limburg, 1892-1950; overleven door samenwerking en modernisering* (Middelburg 1996) 446-460

Association for the Paper industry in the Netherlands cartel agreements were often difficult to arrange and once settled often very exigent to enforce.

4. The Association of Dutch paper and board producers

In May 1904, sixteen producers of paper and board founded the 'Vereeniging van Nederlandsche Papierfabrieken' (Association for the Paper industry in the Netherlands). At that moment the modern industry was rather young. Around 1900 there were 54 paper and board producing companies with a total of 5.000 employees. Though it was a modernised, industrialised sector, it still had very clear traces of its small scale, handcraft past. The majority of the firms had been in the hands of one family for over generations and were situated in the countryside. There were only two large-scale industrial producers. Van Gelder & Zn in Amsterdam was an incorporated firm that was nevertheless owned by one family. It had production units at several sites, which were together producing more than half of the total Dutch output of paper. The other modern producer was KPN at Maastricht, which was owned and managed by a group of Dutch and Belgian families. KNP at one location produced 10 percent of the total Dutch production in 252 different qualities. The remaining 52 producers were as a consequence much smaller and produced little quantities of a large number of qualities. This made the structure of this sector very heterogeneous.²¹

Thus there was in the paper industry a marked difference in scale. Van Gelder & Zn and KNP dominated the market while the smaller companies in the paper industry, mostly also family firms, tried to strengthen their position by working together. They were much more influenced by changing market conditions because they usually produced only one or two qualities of paper, which made them susceptible for changes in their specific market. For that reason in 1904 the smaller companies founded their association to lobby with the government. One of the first actions of the organisation was to send an address to the government on the new Tariffs Law. The association tried to

²¹ B. Bouwens, *Focus op formaat; Strategie, schaalvergroting en concentratie in de Nederlandse papier- en kartonindustrie, 1945-1993* (Utrecht 2003) 67-88; H. Voorn, *De papiermolens in de Provincie Noord-Holland* (Haarlem: De Papierwereld 1960) 69-72.

convince the minister of Financial affairs that tariffs were indispensable for the young Dutch paper industry to survive. The association however had little success. The Dutch government stuck to its policy of free trade.²² After this failure the association concentrated for a long time on the exchange of information about the market of basic materials, tariffs and production capacity elsewhere. The association only succeeded in some minor issues. The 16 members agreed not to buy up each other's employees and accomplished new tariffs with the Dutch railway corporations. The young organization also tried to organise the producers into agreements on prices or production, but, as Van Gelder and KNP refused to join the association, it was not very effective. Agreements on prices were frequently frustrated because one of the bigger and more diversified producers could afford to sell its products at a lower price. For example, KNP that produced over 250 qualities could afford a lower price for one of its products, because the firm was able to compensate the deficit with other qualities. While the smaller family firms were ready to cooperate, the big companies tried to monopolise the markets of paper by their own. In such a situation it proved very hard to maintain the rules and agreements on prices or production that were made. Moreover, the new organization represented firms that produced a wide array of non-interfering qualities. This diversity made cooperation painstaking. Agreements on price-fixing often failed.²³ For the sixteen founding producers of paper and board the association was not the big and expected success

At the same time an agreement between the board producing companies, which were all situated in the northern province of Groningen, proved very successful. Each year the manufacturers of board together dictated the price of the straw they bought from the farmers. The fact that this sector was less heterogeneous improved cooperation. The price cartel was so effective that the farmers decided to found their own cooperative board companies that could compete with the family owned companies. Of course agreements between these cooperative companies and their family owned rivals were out of the question. Nevertheless, the growing market for board as well as the inexhaustible production of the raw material, made the coexistence of cooperative firms and their

²² B. Bouwens, *Focus op formaat*, 57-58

²³ *Ibidem*, 88-91

private rivals possible. Here in fact two different forms of cooperation, between private owned firms on the one hand and cooperating farmers on the other hand coexisted for a long time.

Thus in the paper and board industry there were examples of successful agreements organised in formal or informal associations. Nevertheless, the heterogeneous structure of this sector once again made it difficult to reach longstanding cooperation.²⁴

5. Conclusion

The case of the Dutch Association for the Paper Industry made clear that fierce competition in combination with differences in scale and interest-heterogeneity made cooperation between firms highly problematic. The strong differentiation and little integration caused a highly fragmented pattern of organization in this branch of industry. Self-regulation within specific branches of this industry and cooperation on specific issues or between specific groups of homogeneous companies was more successful. Only when profitability was threatened the companies sought for means to maintain the stability of their market. It was not until the 1930s that the organization of the paper and board industry became a flourishing corporation and focal point of the industry. By then agreements on prices, sales and production quota reduced competition.

The rise of business interest associations thus seems not only to be a reaction to the organization of the laborers in trade unions. They were not at first and exclusively seen as a countervailing force to the rising organizations of the working people. These associations were, as is illustrated by their different functions, mainly organizations working in the interest of their members. They tried to influence the policy of the government, whether local, regional or national. Next to that the associations were a form of self-regulation in the way that they formulated the institutional context of the industry. The association was an instrument and alternative to the regulating process of the government. Through self-regulation the industry involved practices to prevent state-

²⁴ Ibidem, 85-95.

intervention. Finally many associations gathered information on prices, sales, production and other facts that could be of importance for its members. Agreements on prices and sales, or cuts in production often followed these activities. Though these agreements proved not very easy to enforce and were not always successful, in fact this made the association cross the line and gave it the nature of a cartel.

That these associations intended to cover broader interests and were not only seen as uniting business interest against the working force is also underlined by their origins. As we saw, associations of companies and businessmen flourished in hard times. There was certainly a correlation between the inclination of companies and businessmen in general to cooperate and the economic tide. Thus, business associations are like cartels, to a certain extent, *Kinder der Not*.

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