

'In trading, the relation between risk-taking and speculation is ill-defined, for judgments about movements in prices and exchange rates are often at the heart of the business. Trading companies are opportunistic, forever searching for new niches to provide chances for intermediation, and relying on – hopefully – accurate and privileged information and knowledge to give them an edge. Not surprisingly, excessive or ill-judged speculation, or unauthorized speculation by staff, ended the existence of many firms.' (Geoffrey Jones, 1998)



Anton Kröller (1862-1941)

**innovative entrepreneur, notorious speculator,
or just another commodities trader?**

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Introduction

Anton Kröller (1862-1941) did not care to be remembered. ‘*Asbes to ashes, dust to dust*’ is written on his tombstone. Kröller allegedly ordered to have all his personal papers burned shortly before his death. During his life he preferred to stay out of the spotlights. Only on a few occasions his name appeared prominently in the newspapers: at the end of World War I, when he was accused of abusing his position as economic diplomat; in 1926, when a number of his company’s subsidiaries had collapsed, the Rotterdamsche Bank was faced with liquidity problems, and investors accused him of cooking the books; in 1933, when a former accountant repeated these accusations and a criminal investigation was looming. Anton Kröller used the same remedy in all cases: he remained silent and waited until the storm was over.

Kröllers strategy of personal anonymity has appeared to be successful. As a person and businessman his image faded over time. He ended up in the shadow of his wife Helene, the famous art collector. Due to its fragmented structure, his company Wm. H. Müller & Co, one of the most powerful European commodities trading houses during the first quarter of the twentieth century, was largely overlooked by business historians. No company history was ever written.

This paper intends to briefly picture (1) the role of Wm. H. Müller & Co within the Dutch and Western European economy and the port of Rotterdam, (2) the financing, corporate governance and competitive environment in which Anton Kröller operated as entrepreneur. The author of this article is working on a biography/dissertation of Anton Kröller at the Biography Institute of the University of Groningen, which is supposed to be published in Spring 2015.¹

I. Multinational trading companies

In 1913 over 60 per cent of world trade was European, consisting both of intra-European trade and trade with the rest of the world. The late nineteenth century and early twentieth century clearly represents a ‘heroic’ period for multinational trading companies. Nevertheless literature on trading companies of this time is scarce (Jones, 1998). In the Netherlands at the end of the nineteenth century three developments contributed to the establishment of new trading companies or the revival of existing ones (Sluyterman, 1998):

1. The rapid industrialization of imperial Germany combined with liberalization of Dutch transit trade.
2. The agrarian crisis, which incurred a transformation to higher added value produce (meat, vegetables and horticulture). As a result of this, large amounts of grain, animal feed and fertilizer were needed and imported.
3. A revival of the Dutch East India trade.

¹ The results presented in this paper are i.a. based on financial data of Müller & Co in the Rotterdam Municipal Archives (nr. 1256 and 615), financial data on the London office of Müller & Co and private letters in the archives of the Kröller-Müller Museum, annual accounts of Müller subsidiaries in IISG, and various files in the archives of the Rotterdamsche Bank in the Dutch National Archives (nr. 2.28.33). Supervisors of my dissertation are prof. dr. J.W. Renders and prof. dr. P. Kooij.

The impact of the German growth acceleration on Dutch economic activity strongly reflected in the development of Rotterdam as port of transit. The Amsterdam port kept its colonial emphasis and stayed behind (Veraghtert, 1978). In Rotterdam coal was one of the important commodities that contributed to its development, and therefore often the establishment of Steenkolen Handels-Vereeniging a joint-venture (or cartel) of seven large Dutch importers of German coal, is often taken as an example of new trading companies of this specific era.

However, three other commodities were at least as important for the growth of Rotterdam as a transit port: iron ore, grain and timber. Measured in tons of weight coal was even the smallest one (Serton, 1919; Nusteling, 1974).² Müller & Co was a major player in each one of these three other commodities, and was also an important player in the second development mentioned by Sluyterman: the import, export and distribution of agricultural products. The only development that Müller & Co did not really take part in (or actually failed to) was the revival of the East India trade.

Iron ore trade

Müller & Co was started in 1876 by German entrepreneur Wilhelm H. Müller, selling iron ore from the Bilbao area via Rotterdam and the river Rhine to the rapidly growing iron and steel industry in the German Ruhr area. Anton Kröller took over the helm in 1889. He was subsequently able to obtain the exclusive agency of iron ore from the Grängesberg mines in southern Sweden in 1893. Ten years later Müller & Co pushed out Rotterdam competitor Jos. de Poorter in northern Sweden and from then on shared the German market for Swedish iron ore only with L. Possehl & Co of Lübeck. (Fritz, 1967; Plücker, 1968; Wengeroth, 1998).

In 1908 Müller & Co secretly became majority shareholder in a large British iron ore trader with exclusive agency for Swedish ore for the UK and the USA. Around the same time, with the help of a buoyant capital market, Müller & Co had already assembled vast iron ore mining assets in northwestern and southern Spain. In France and Morocco Müller & Co invested partly (and secretly) for the account of German steel producer Gutehoffnungshütte, to avoid hardening of German-French political tensions. (Maschke, 1969). In 1913 Müller & Co could call itself the proud owner of almost all iron ore mines in Algeria (Baldacci, 1947; Prochaska, 1990).

The unique role of Müller & Co in the iron ore sector was that of unsuspected neutral (between increasingly hostile powers), acquiring resources in countries with a surplus (France) or without an iron and steel industry (Sweden, Spain) and redistributing them to countries with a shortage (UK, Germany) (Sehmer, 1911). Anticipating the opening of the Panama Canal Müller & Co and Gutehoffnungshütte jointly invested in iron ore mines in Chile shortly before the outbreak of the war.

² This does however say little about volume, since specific gravity of coal is lower than e.g. iron ore.

Grain trade

In grain trading Müller & Co's role was different. Here Kröller followed shipping lines that he represented in the Netherlands, such as the Société Maritime Roumaine (Rumanian state shipping line) and Norddeutscher Lloyd, and started trading in commodities to provide cargo. Around 1910 Müller & Co started investing in assets in Argentina such as farmland and warehouses in the ports of Buenos Aires, Rosario and Tres Arroyos. Smaller investments were made in the port of Braila (Rumania) where Müller & Co owned two grain elevators. With its Argentinean investments and its close connections to Norddeutscher Lloyd Müller became a factor in the colonial aspirations of Kaiser Wilhelm II (Rübner, 2005). Casson (1998) described this role as characteristic for certain multinational trading companies of the contemplated era.

At the turn of the century the largest grain exporters in Argentina were called the 'the big four'. Bunge & Co was number one with 23 per cent of the market. The big four controlled seventy percent of the Argentinean grain export market. A secretive company with the seemingly meaningless name of The General Mercantile Ltd. was number five with ten percent (Gravil, 1977). It was fully owned by Müller & Co and managed from its London offices. During WWI this company was moved to the Netherlands and transformed into the much larger Compania Mercantil Argentina (50% Müller & Co, 50% Rotterdamsche Bank). In 1917 it started to attract funds on the stock exchange to finance further investments in warehousing and farmland. In 1919 and 1920 another twenty million guilders (almost doubling its equity) was attracted to finance large wheat and corn supply contracts for post-war Germany.

Timber trade

Müller & Co became involved in the establishment of the Nederlandsch-Indische Houtaankap Maatschappij (NIHM) in 1895, a joint venture of a number of adventurous businessmen, and subsequently listed on the stock exchange. Müller & Co, was the Dutch sales agent of the NIHM. In 1898 Müller & Co started timber trade with northern Russia, and as of 1904 the company gradually became the owner of large Russian forests and saw mills. As of 1908 Kröller obtained the majority of the shares in and control of the NIHM and started to transfer his Russian forests and saw mills to this company. The NIHM subsequently acquired also more East India forestry assets.

Agricultural import and export

Already in its early days Müller & Co became involved in agricultural trade by picking up live cattle in Harlingen on its way to Middlesborough, where it loaded coal on its way to Bilbao. In 1898 Kröller decided to build a slaughter house in Hoek van Holland to cope with regular bans of the British on the import of live cattle. A few years later a cold storage was constructed for distribution of Dutch (and later Argentinean) meat to the UK. In the early days, ice blocks were imported from the port of Narvik where Müller & Co loaded iron ore.

When returning from the Ruhr area, after having delivered iron ore, phosphorous rubble was loaded and brought to Holland to serve as fertilizer. In 1895 together with some business partners Kröller started his own fertilizer (superphosphate) plant in Zwijndrecht (1895) (Bloembergen, 1953; Homburg/Van Zon, 2000). Müller & Co became a major importer of corn from Argentina, Rumania and South Africa, used as feed for livestock. In the early twenties Kröller decided to list his meat warehouses and cold storage on the stock exchange through a company called Vianda. This company was later merged with a large English meat exporter to form the English and Dutch Meat Company.

‘Re-inventing’ itself

It is no wonder that historians, academics as well as amateurs, were not able to get a full picture of Müller & Co. Not only are sources scattered, the company, like a chameleon, changed identities a number of times. This is a common feature of multinational trading companies, which tend to continuously ‘re-invent’ themselves (Jones, 1998). As described above Müller & Co developed from a pure iron ore trading company (1876), building up its own shipping fleet (1882), acquiring its own shipping line (1894), entering into the timber trade (1894), starting its own fertilizer plant (1895), investing in its own mining assets (1896), starting its own grain trade and slaughter house (1898), entering the capital markets (1899), investing in foreign grain warehousing, cold storage and land ownership (1908) and investing in foreign commercial banking (1914). After substantial losses (1921) and a near bankruptcy (1924), Müller & Co was radically restructured and lived on as a medium-sized shipowner and singular trading company in ore and chemicals, not owning any mining, or grain or meat storage assets anymore. The following graph shows the distribution of Müller’s asset over various activities.³

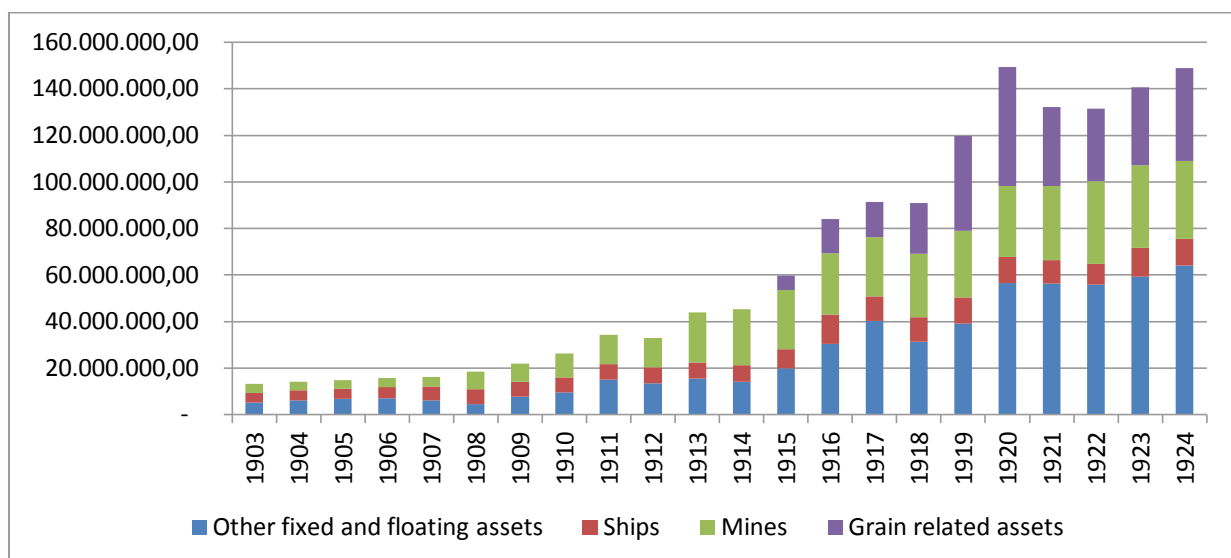


Exhibit I – Distribution of total assets of Müller & Co group (consolidated) (excl. timber)

³ It not certain yet, where on a consolidated basis Müller & Co would end up in the list of largest companies in the Netherlands during the first quarter of the twentieth century, but it is expected to be a runner-up in the top-20. Today it is absent from these kind of lists (Van Gerwen/De Goey, 2008).

Theoretical framework

Marc Casson (1998) provided a theoretical framework for multinational trading companies. He distinguished between the broker (*commissionair*) and the re-seller (*bandelaar*), whereby the former does not assume ownership (and price risk) of the goods and the latter does. Müller & Co acted as both broker (e.g. as agent for the Swedish mines) and re-seller (for its own mines, grain and timber).⁴

Casson also described a number of activities that a trading company may integrate into: shipping (and transit), production, finance, and even land ownership. Müller & Co integrated into all of these. Below the shipping & transit and finance roles of Müller & Co will be further addressed. Production activities and land ownership (mines, farm land and forests) have been described above.

- Shipping and transit: Müller & Co in the port of Rotterdam

Although exact individual trading volumes have not been analyzed yet, it is beyond doubt that Kröller and his company were large factors in the development of the port of Rotterdam. Müller & Co was active in tramp shipping (*wilde vaart*) and became owner of the famous Batavier Line with a daily service between Rotterdam and London (Von Münching, 1994). With the help of bankers and capital markets Müller & Co was able to build up a respectable fleet in short time.⁵

Müller & Co can be considered a front runner in technical developments in the port of Rotterdam. The company was first to use electrical cranes (owned by the city) to unload iron ore (Van Driel, 2002; Van Driel/Bogenrieder, 2009). This technical innovation also initiated one of the largest strikes in Rotterdam port history (Jansen, 1979; Smit, 2013). The company also invested in technically advanced self-unloading iron ore vessels (turret deck) such as Maud Cassel (1897), Skandia (1899), Grängesberg (1903) and Blötberg (1907). Müller & Co was one of the founding fathers of a grain elevator company in Rotterdam (Cocheret, 1933).

Apparently preferring to save his capital for more strategic assets Kröller never invested substantially in fixed port structures in Rotterdam, like Jos. de Poorter (Poortershaven), Thomsen (Maashaven), or certain German iron and steel producers (Thyssen/Vulcaanhaven) did. Only for his parcel goods/mixed cargo traffic (*stukgoed*) Kröller sparingly invested in movable unloading cranes in Parkhaven/Sint Jobshaven (Cool, 1912). This was all the more surprising, since Kröller had managed to obtain this superior plot in the Rotterdam harbor in 1907 by promising to the freshly appointed Rotterdam mayor Zimmerman, that he would invest ‘tons of gold’ in ‘long term fixed structures’. With the same argument and to the surprise and irritation of some prominent members of Rotterdam city council Kröller, strongly supported by port master and transit port proponent Gerrit Jan de Jongh, managed to obtain a 75-year lease where 10 years was normal. But other than four movable port

⁴ One could even argue the formally Müller & Co acted in these cases also as broker, since it sold iron ore and timber on behalf of separate legal entities (over which it had control) who were bearing the risk of price fluctuations.

⁵ Since for a long time ships were the only tangible assets known of Müller & Co, in historic publications the Batavier Line has received disproportional attention, resulting in a predominant image of Anton Kröller as a shipowner and operator.

cranes, that all of his neighbors had as well, only simple and low rise barracks were built on the Jobshaven premises. Today the vacated plot is still known as the Müller-pier.

After WWI when Müller & Co had sold his two remaining specialized ore vessels to shipowner Holland Amerika Lijn, Kröller returned to standard cargo vessels for iron ore transport. He thereupon took an equity stake in Thomsen's Havenbedrijf (1919) (which he sold again in 1924). (Much later Müller & Co fully acquired Thomsen.)

- **Financing role of a trader**

Before WWI Dutch banks were reluctant to provide both commercial and asset finance. Money markets and capital markets were still a dominant source of financing for businesses ('t Hart/Jonker/Van Zanden, 1997). In the Netherlands during this period trading companies had a very important intermediary financing function (De Monchy, 1928).

Also for Müller & Co providing financing to suppliers and buyers became an important additional role as trading company. Before WWI Müller & Co attracted funds for its financing role mainly by means of advances from London bankers (both British and German), through its London office. Around 1908 Müller & Co started attracting more permanent funds for this purpose (by issuing bonds) on the Dutch capital market. During and after WWI short term financing of Müller & Co was more and more provided by the Rotterdamsche Bank and its various foreign subsidiaries (see hereafter), since German banks left London and British bank were not prepared to finance Müller's trade with Germany anymore.

Shortly before WWI, presumably in anticipation of growing international hostilities, Müller & Co and the Rotterdamsche Bank founded, together with grain trader Bunge & Co and shipowner Koninklijke Hollandsche Lloyd, a neutral commercial bank in Buenos Aires, the Hollandsche Bank voor Zuid-Amerika, which aim was to provide trade finance. During WWI a Russian-Dutch commercial bank, the Russisch-Hollandsche Bank (1916) was founded for the same purpose and after WWI a series of other (opportunistic) foreign commercial banks were started, most of them disappearing shortly after its initiation. In all cases Müller & Co and the Rotterdamsche Bank were shareholders, accompanied by other occasional business partners (Scheerder, 2008).

World War I and the aftermath

At the outbreak of WWI, in all Western European countries businessmen stepped forward to assist their governments trying to guide their countries through the war. In England they were called 'men of push and go', in the Netherlands 'men of great deeds' (*mannen van den daad*). Anton Kröller was one of them, together with i.a. his long term Amsterdam opponent Karel van Aalst, president of the Nederlandsche Handel-Maatschappij. Kröller was instrumental in creating the Nederlandsche Overzee Trust (NOT), a legal structure and joint venture of shipowners and bankers, through which importers were able to continue their trade as long as destination of the goods was not to Germany and its allies.

Kröllers most important role during the war was however in food supply and distribution. He purchased grain on behalf of the government and became responsible for the distribution of agricultural products between the UK, Germany and the Netherlands. (Kruizinga, 2012; Frey, 1998) With a secretary of Agriculture (Posthuma) who was very friendly to the farmers, and a prime minister (Cort van der Linden) and foreign secretary (Loudon) who insisted on staying neutral (i.e. personally absent), Kröller distributed food to the highest bidder (exchanging i.a. against German coal) confronting the common people of the Netherlands with extreme scarcity and high food prices. During this period Kröller received nicknames such as ‘food dictator’ and ‘uncrowned king of the Netherlands’.

Kröllers reputation during WWI was controversial. He was suspected of being an agent of the Germans and of having major conflicts of interest. The current research shows that the first is mainly untrue, but the latter so much more. Müller & Co made millions of extraordinary profit during the war. Two general investigations were started as a result of complaints by competitors, but these did not have any personal consequences for Kröller or for other businessmen.

After World War I powerful Kröller rose to the ranks of the untouchable. He was asked to participate in the advisory board on economic matters of the Dutch Foreign Office, took part in various League of Nations committees on redesigning Europe, and became a permanent member of the newly established Rhine Committee in Strasbourg. At the same time he was still very active as a businessman, benefiting from a buoyant Dutch stock exchange, due to fleeing German capital (Euwe 2013). He used the money to invest in grain storage and farm land in Argentina and in all kind of bargains that he believed in former German territory, and in real estate all over Europe. In short, Kröller went on a pretty uncontrolled spending spree. He was also hailed by the government as ‘company doctor’ investing some millions in various troubled Dutch shipping lines and taking over their management.

Three years after the war had ended, grain prices and shipping rates started collapsing, iron ore demand was still recovering and strong concentration in German iron and steel production pushed margins on iron ore trade down (Plücker, 1968). Müller & Co started experiencing severe liquidity problems. It also appeared that millions of the group’s funds were invested in adventurous, non-core activities and in private real estate on the Veluwe (where initially a huge museum was planned) and in Wassenaar.

II. Entrepreneurship and the ‘rules of the game’: financing, corporate governance and competitive strategy during the first quarter of the twentieth century.

Establishing a trading company is an entrepreneurial activity (Casson, 1998). Schumpeter (1911) attributed a crucial role to the entrepreneur as driver of economic development. To identify the real entrepreneur, he developed the concept of ‘the implementation of new combinations’ and distinguished five variations:

1. development of a new product,
2. introduction of a new production method,
3. opening of a new market,
4. opening of new sources of supply,
5. rearranging the market (i.e. by creating or breaking a monopoly).

Kröller complies with three of Schumpeter’s five criteria. He was experimenting with new techniques (electrical cranes, self-unloading ore vessels, grain elevators) in the port of Rotterdam. He applied innovative financing techniques (i.a. preferred shares). He opened up new sources of supply by importing iron ore and grain from new territories. He formed various new cartels (see below).⁶

From a business-historic perspective it might then seem logical to place Anton Kröller within a whole series of Dutch contemporary entrepreneurs such as Philips, Stork, Van Heek, Van den Bergh, Jurgens, Deterding, Fokker, Van Beuningen, Fentener van Vlissingen, Van der Vorm, etc. and try to draw general conclusions with regard to his behavior. Comparing entrepreneurs is however no easy job. There is often so much idiosyncrasy that such exercise leads to comparing apples to oranges (Wubs, 2013). A further complicating factor is that, with respect to relating Kröller’s controversial conduct during WWI to activities of other entrepreneurs, Dutch business history on this period is still largely uncharted territory (Sluyterman, 2004). Authorized company histories often remain silent on this period and subject.

There is another reason why simply making a general comparison of Anton Kröller to his contemporaries may be insufficient and unsatisfactory. Anton Kröller was of a peculiar entrepreneurial species. Other than most of his Dutch contemporaries he did not transfer the helm to his sons or to other self-appointed successors. Müller & Co lived through a rise and fall and Kröller involuntarily had to pass on leadership to new managers. His company was restructured and decimated. Therefore, since what is left of his multinational trading company may not fully reflect his (business) achievements, a wider view must be taken on his legacy.⁷

⁶ For an overview of various concepts and definitions of entrepreneurship see The Concise Encyclopaedia of Economics www.econlib.org/library/Enc1/Entrepreneurship.html. There is hardly a definition available were an entrepreneurial person such as Anton Kröller would not fit in.

⁷ In my dissertation I will: (1) try to compare Müller & Co in each sector to comparable companies. For shipping I can make comparisons to other Dutch ship operators. For ore trade I may look at e.g. Metallgesellschaft and Río Tinto (both copper ore traders). For grain trade this will be difficult since the only surviving grain trader of this period is Bunge & Co, which company archives are not open to the public; (2) try to compare Anton Kröller as entrepreneur with his abovementioned contemporaries in the field of financial and social policy, technical innovation, political

More modern scholars, building further on Schumpeter's theory, have developed useful concepts for analyzing Kröller's peculiar life as a businessman. Nye (1991) has used the concept of 'positive externalities' to measure the net contribution (i.e. successes minus failures) of entrepreneurs to society.⁸ Some of Kröller's creatures (fertilizer industry, grain elevator, foreign banks, shipping, chemicals trading) are still in existence in one form or another. The valuable art collection and estate on the Veluwe should thereby also be included.

Baumol (1991) introduced 'relative payoffs' to define the effect of an entrepreneur's activities on society as a whole. He used the concept of 'productive, unproductive and destructive entrepreneurship' to describe a businessman's contribution to society. He said: '[...] there are a variety of roles among which the entrepreneur's efforts can be reallocated, and some of those roles do not follow the constructive and innovative script that is conventionally attributed to that person. Indeed, at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy.' Baumol considers 'the rules of the game' (primarily the legal environment and prevailing business and political morale) in a certain era as the main cause for inducing unproductive or even destructive behavior. '[...] the rules of the game that specify the relative payoffs to different entrepreneurial activities play a key role in determining whether entrepreneurship will be allocated in productive or unproductive directions.'

Without exculpating Kröller's often unscrupulous behavior as just 'a child of his time', his conduct should indeed be placed into the right historical context with respect to economic circumstances and prevailing moral values. In the era of Anton Kröller, society was in the middle of a transfer from plutocracy to democracy, and many businessmen, some of them also members of parliament, enjoyed a very privileged position. Conflicts of interest were the rule rather than the exception (Kroeze, 2013).

Prevailing 'rules of the game'

Corporate governance was not a hot topic in Anton Kröller's era. In the Netherlands the first serious corporate governance regulations were only enacted in 1928 (Zeff/Van der Well/Camfferman, 1992; Camfferman, 2010). The Belgian and Dutch stock exchanges were the only self-governed ones in the Western world (Michie, 2006). Requirements for listing were light ('t Hart/Jonker/Van Zanden, 1997). The capital market was booming (Renooij, 1951).

- Corporate governance of Müller & Co

- **Management**

In 1889 Wilhelm H. Müller, founder of the company, died suddenly of a heart attack. At the age of only 27, Anton Kröller, who worked for the company since 1882 and had married Müller's

influence, philanthropy, etc. This will however have to remain a fairly superficial exercise (based on biographies and company histories) since availability and quality of data may vary substantially.

⁸ Although Nye's work is mainly a reaction to the popular use by business historians of the concept of entrepreneurship (or the lack of it) as explanation for the economic decline in certain formerly prosperous societies, we may use it to look at the total legacy of Anton Kröller.

second daughter Helene in 1888, immediately took the helm.⁹ Although Wilhelm Müller's son Gustav (3 years younger than Anton Kröller) also officially became a partner in the company, Anton Kröller was always the dominant leader, not in need of any assistance. When Gustav Müller died in 1913, Kröller chose his wife as his new partner in the company and bought out the Müller heirs.

Although in 1907 Kröller presented his eight 'directors' of various departments explicitly to the public, the organizational model of Müller & Co was undoubtedly one of 'personal capitalism' rather than 'managerial capitalism' (Chandler, 1990). Kröller was the almighty leader and all-decisive. At the same time, once decisions had been taken, he fully delegated execution and operations to his 'directors', who were also Müller & Co's representatives at employers' associations such as Scheepvaart Vereeniging Zuid (SVZ) and the Rotterdam stevedoring association. Kröller himself was never on the board of any employers' association, nor was he active in the Chamber of Commerce or in municipal and national politics. He preferred to stay behind the scenes.

- **Supervisory board**

In 1917, when holding company Müller & Co itself issued shares to the public, the company installed a supervisory board, which consisted of Kröller's two most prominent bankers of the Rotterdamsche Bank, and a retired law professor. On the supervisory boards of Müller & Co's mining and shipping subsidiaries Kröller had placed confidants like his first banker and his private legal advisor. On the supervisory board of the mining company also his current bankers were sitting. From the minutes of the meetings of Müller & Co and its subsidiaries it is clear that after a few fruitless attempts to critically follow the companies, supervisory board members were not supposed to mingle in actual affairs, but were merely hired and paid to provide the company with a quality seal.

- **External auditing**

External auditing was not legally mandatory in those days, nor were there any formal regulations prescribing form and contents of annual accounts (Camfferman, 2010). Nevertheless, the annual accounts of Müller & Co and its listed mining and shipping subsidiaries were published and undersigned by external auditors of undisputed reputation. Whether the numbers were actually audited by the same, is another matter. Kröller had hired one of the most reputable auditors of those days (a profession was very much in development) as his chief internal accountant, who in fact provided the external auditors with the numbers.

In 1927, after the Müller imperium had virtually imploded, the only surviving external auditor, took all the blame and was suspended from his profession after being accused of

⁹ In 1886 Willem Kröller the 10-year older brother of Anton Kröller and 50% partner in the Rotterdam business of Müller & Co fell severely ill of neurasthenia, a mental disease often seen with overstrained business men in those days.

cooking the books of Müller and its subsidiaries. Kröller and his financial assistant Sam van Deventer escaped unpunished, and tried to continue trading business as usual. (De Vries, 1985 and 1989).

- **Concentration/Competition**

Anton Kröller was also heavily involved in the formation of cartels and concentration of his interests. This was a common phenomenon of those days, and a direct result of free trade arrangements (Wibaut (1903); Bouwens/Dankers, 2012). Examples of Kröller's activities in this respect are:

- various cartels of shipping lines between UK and the Netherlands;
- a fertilizer cartel between the Dutch and Belgian producers followed by a merger of the major Dutch producers during WWI, personally designed by Kröller, who was at the same time heading the war distribution committee for fertilizer;
- various attempts to strike price fixing arrangements on the import of Swedish iron ore in Germany;
- attempts to work together with Bunge & Co and other grain exporters on price fixing in Argentina, which was only successful during WWI;
- formation of an East-India timber export cartel;
- formation of a wool cartel together with i.a. the Amsterdam trading company Van Eeghen & Co;
- failed attempts to gain access to a British-American meat export cartel in Argentina at the end of the twenties.

- **Interlocking between Müller & Co and the banking industry**

Anton Kröller was a financial genius. That is to say, for himself. During the almost forty-five years of his reign, shifting business opportunities were obviously an important driver of his decisions, but availability of capital on the stock exchange seems sometimes to have been even more determining. Kröller became a master of playing the capital markets and his influence on the Rotterdamsche Bank (RB) (and its financial distress) cannot be underestimated (Petimezas, 2011; Colvin, 2013). Shortly after the turn of the century Kröller became very friendly with the expansionist chairman of the RB Willem Westerman, who was nicknamed 'William, the Conqueror' (Wijtvliet, 1993). In a private speech during an anniversary dinner in 1922 Westerman spoke to Kröller: 'We have done great transactions together. He [Kröller] had the ideas, we [RB] supplied the ammunition [...].' The RB together with Labouchere, Oyens & Co, which was acquired by the former in 1912, tapped the capital markets regularly for Müller & Co and its subsidiaries. Especially Piet van Tienhoven, second-in-command at the RB, emerged in those days as an adventurous investment banker, exploiting capital market opportunities to the maximum.

The interlocking between the RB and Müller & Co was gigantic (Jonker, 1989; Colvin, 2013).¹⁰ After 1917, Kröller, Westerman and Van Tienhoven were everywhere on the supervisory boards of each other's parent companies and subsidiaries. The RB had over 25 million of guilders of exposure to Müller & Co and its subsidiaries. The bank also owned shares in certain Müller-ventures. At its turn, Müller & Co owned 10 million guilders in shares of the RB (which were not shown on the balance sheet) and was also a participant in most foreign banks under control of the RB (Petimezas, 2011).

Initially this business model was harmless for investors in shares and bonds of Müller-subsidaries, since, as a majority shareholder, Kröller's interests ran parallel with those of his investors. However, over time through exit of shares (shipping, timber, grain) and dilution of his interest through issuance of preference shares (mining), Kröller's interest was gradually diverting from that of his external investors.

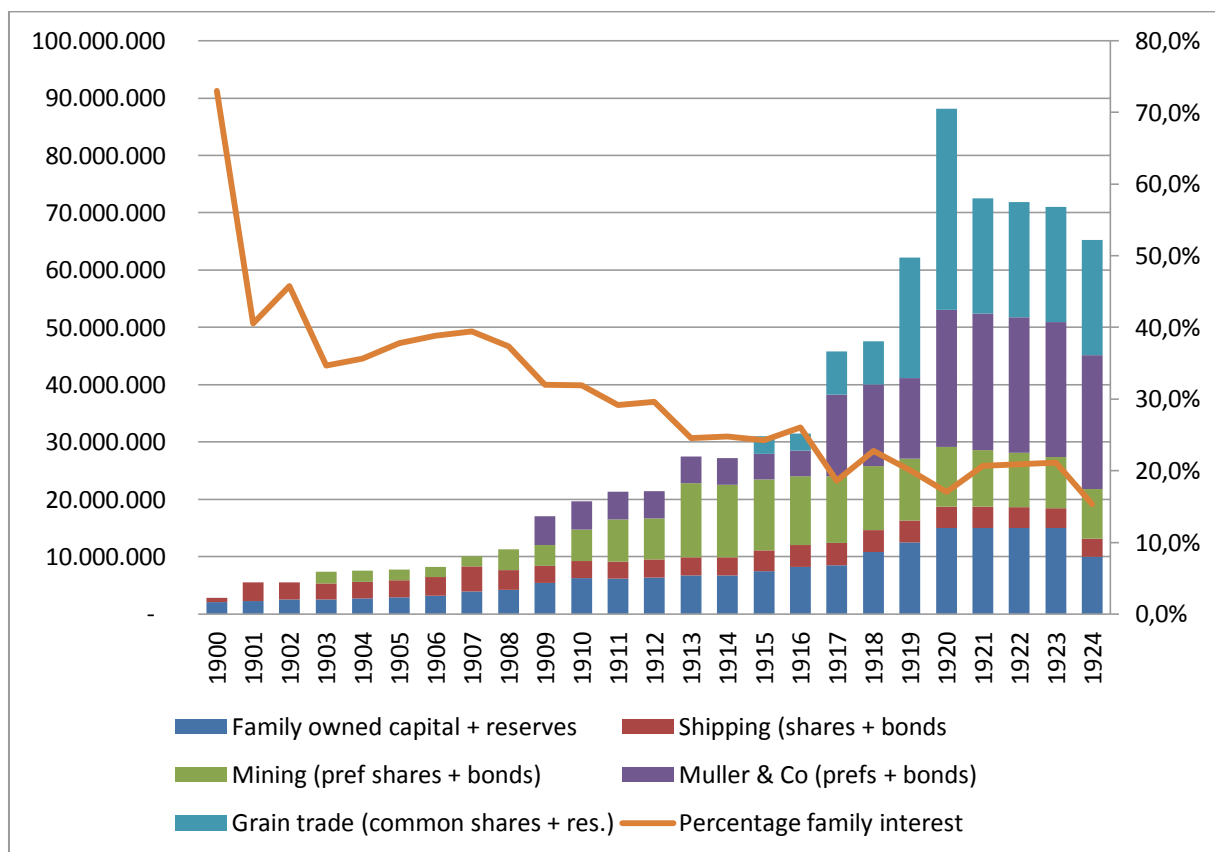


Exhibit II Total capital of Müller & Co group (excl. timber) (family owned vs. external investors)

In 1921 the grain trading company *Compania Mercantil Argentina* experienced severe trading losses and got into liquidation in 1926. Timber company *Nederlandsch-Indische Houtaankap Maatschappij* was liquidated after its Russian bank deposits turned out to be worthless. Müller's shipping company was virtually liquidated in 1926. In all cases Kröller had reduced the shareholdings of Müller & Co in

¹⁰ In my dissertation I will also use existing network studies on this period by Van den Broeke (1988), De Graaf and Mobron (1995), De Goey en Van de Laar (1995) and Moeyes (2006).

these companies years before disaster struck. In 1926 Kröller (under pressure of his bankers) also sold his highly valuable but heavily indebted iron ore mines. The funds were used to repay debt to the RB, which by then had been placed under supervision of the Dutch Central Bank. The RB had to write off a substantial part of its equity and received liquidity support, guaranteed by the Dutch government.

Epilogue

After a short revival at the end of the twenties mainly as a result of Müller & Co's briefly recovering shipping activities, the company finally collapsed in 1933 and was restructured by external managers, now on behalf of external investors. Kröller remained officially on the managing board of Müller & Co, but his influence was minimized. The private family estate De Hoge Veluwe, and the extensive art collection were transferred to separate trusts, financed with state funds. Gradually most other non-core assets were divested as well. In 1937 the Dutch state built the museum for the now world famous Kröller-Müller art collection. Anton and Helene Kröller were allowed to live on their estate until their death. When Anton Kröller died in 1941 there was virtually no private wealth left for his heirs. Most investors in the various Müller-companies never recovered their capital losses.

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