Source: Holtrop, 26 April 1967, Nationaal Archief, The Hague, photographer J. Evers / Anefo

HOLTROP, Marius Wilhelm (Bob)

Dutch central banker and ninth President and Chairman of the Board of Directors of the Bank for International Settlements (BIS) 1958-1967

By **Bob Reinalda** · Version 15 February 2021

Was born 2 November 1902 in Amsterdam, The Netherlands and passed away 1 April 1988 in Haarlem, The Netherlands. He was the son of Jan August Holtrop, actor, and Elisabeth Philippina van Gelder, actress. On 30 August 1926 he married Josina Juchter, with whom he had one daughter and two sons. After his wife passed away on 4 August 1965, he married Catharina Francisca Maria Peltenburg on 4 October 1966.

Biography

Holtrop, the youngest of four children, grew up in an artistic environment. His parents were both actors and, in 1910, his father founded a film factory in order to also act in films. Holtrop attended the so-called Public Trade School in Amsterdam, an advanced form of secondary education, and found a job as bookkeeper before enrolling at the University of Amsterdam in 1922. He was one of the first students to enter the new academic field of economics but also qualified in accounting, which would remain a lifelong passion. After his master's degree (1925) he defended his dissertation on the velocity of circulation of money (1928). His approach was theoretical as he examined current debates and applied insights from the field of business economics to the field of monetary theory. His work resulted in an article in *The Economic Journal* (1929), published by the British Royal Economic Society with John Maynard Keynes as current Editor, and a chapter in the book on monetary theory that Friedrich von Hayek published in 1933. An application to the Dutch central bank failed in 1928, due to distrust related to his parents' profession. Holtrop found jobs, first at the Dutch steel factory Hoogovens, then at a fertilizer plant. Between 1936 and 1939 he worked in the United States (US) as Vice President of Shell Chemical Company in San Francisco, but returned to The Netherlands to become Director of Hoogovens. At the start of the country's occupation by Nazi Germany (1940-1945) he succeeded in establishing an administration office which kept German Hoogovens stockholders in a minority position. He also managed to obtain travel documents to the US for the Jewish Van Leer family, after the Germans had forced them to sell their plate mill to Hoogovens. Hoogovens was able to continue its course until 1944, when the Germans forced it to directly support the German war industry. Holtrop and his co-director stopped working and went into hiding. In addition to his industrial activities Holtrop was an active participant in debates on monetary issues in several associations of economists, combining his business experience with his monetary reflections. As a response to the depression of the 1930s he favoured a devaluation of the Dutch currency in 1934, thus contradicting the government and the central bank which held to the gold standard. He engaged with monetary economists, such as Johan Koopmans, who advocated the idea of so-called neutral money, which meant that changes in the supply of money should not disturb the demand and supply of goods and services in the economy. While working in the US he observed the functioning of purely capitalist businesses and, in 1939, he published an article about US pricing legislation.

In 1942 Holtrop started a discussion on how to restore monetary order after the war, as it was predicted inflation would result from the huge war-time money supply and a foreseeable scarcity of goods, with money skimming proving to be the leading solution. In 1944 he joined a clandestine commission of economists to prepare recommendations for after the country's liberation. Since he was in hiding, this gave Holtrop time to elaborate views and become the report's main author. Another clandestine commission also presented recommendations for the normalization of the monetary system. Both agreed on reduction in the money supply, but the measures for the unblocking of accounts prepared by Holtrop's commission were more binding, as the commission expected that otherwise the intended control over the money supply would be inadequate. Shortly after the country's liberation, in June 1945, Minister of Finance Pieter Lieftinck chose the Holtrop option, as he believed that this approach had better safeguards for economic recovery. During the war Lieftinck had been a prisoner in German concentration camps, but as a hostage had certain privileges. When he discovered a message about the Bretton Woods conference of 1944 in a discarded newspaper, he managed to receive the texts of the agreements through the Red Cross and to study them in the camp. He understood that a return to the gold standard was unnecessary, that protectionist measures could eventually be abolished and that the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) were to take care of supervision and consultation. Once a minister, Lieftinck wrote the explanation of the law to accede to the Bretton Woods institutions and convinced the Dutch parliament in December 1945.

Lieftinck appointed Holtrop as President of De Nederlandsche Bank, the Dutch central bank (as of May 1946). He preferred an independent person with an open eye for general economic problems, rather than a banker, and appreciated Holtrop's combination of business and monetary experience. With Lieftinck focused on economic recovery, Holtrop guarded the money supply. He regularly accused Lieftinck of inflationary financing, but Lieftinck claimed that this was necessary so that recovery would not take too long. In carrying out his duties, Holtrop modernized the central bank, which was nationalized in 1948, and established a research department with monetary economists. The bank was hierarchically organized, with Holtrop deciding on monetary policy and crafting the theoretical arguments in support. He 'looked for clues in the statistical and other materials to probe into the causal chain of monetary events over the past year' (Den Butter and Maas 2011: 4) and used the other economists as sparring partners in designing and extending the analysis and policy framework. His quantitative monetary analysis framework, based on the idea of neutral money and aimed at recognizing (external) disturbances, resulted in the custom (since 1954) of the central bank's annual report being debated in the economist magazine *Economisch-Statistische Berichten*, in his time by Keynes-inspired economists such as Jan Tinbergen, head of the Central Planning Bureau, and Johan Witteveen, member of the Social and Economic Council. Holtrop's quantitatively-oriented approach was seen as a critique of Keynesianism paying insufficient attention to monetary developments.

In July 1946 Holtrop became a member of the Board of Directors of the Bank for International Settlements (BIS) in Basel, Switzerland. Established in 1930 to deal with German war reparations, the BIS held meetings of central bank presidents and began to undertake research into financial and monetary developments. A US resolution passed at Bretton Woods saw the BIS as competitor to the IMF and urged its abolition. European central bankers, however, rejected this move in 1946. Holtrop worked busily to avoid liquidation, testifying that the decision to liquidate was based on an 'anti-central-bank attitude' which had existed since before the war and that this was 'partly due to the influence of Lord Keynes' (Yago 2013: 110). The central bankers rehabilitated the BIS and turned it into a kind of international central bank, with around ten meetings of the central bank presidents a year. The US did not participate. Holtrop, who had no practical banking experience, found the BIS interesting given his interest in and theoretical knowledge of monetary affairs. He saw the sessions in Basel as an opportunity to meet with other central bank presidents on an equal footing and discovered that not all of them were trained economists. He developed a close relationship with Swedish economist Per Jacobsson, who was Economic Advisor of the BIS and made the bank's annual reports an essential source for bankers, economists and political leaders. Their discussions were highlights during Holtrop's regular visits. They enjoyed discussing economic theory, both of them seeing the danger of inflation resulting from Keynesian policies in a stressed-out business cycle, rather than a depression. Holtrop felt great admiration for the practical judgements of Jacobsson, who became Managing Director of the IMF in 1956. His theoretically-based expositions to the other central bank presidents in Hotel Euler in Basel allowed Holtrop to emerge as a monetary thought leader.

Holtrop was unanimously elected President and Chairman of the Board of Directors of the BIS as of July 1958, a position he held until 1967. The meetings of the central bank presidents took place during long weekends. Holtrop continued to reside in Amsterdam and arrived on Friday for the monthly meeting. He attended a variety of sessions and debates during the weekend and institutionalized a Sunday evening meal with the central bankers, the General Manager and the Economic Advisor. This created the opportunity for general discussion on a confidential basis, both among themselves and with important visitors. In 1960 he convinced the US counterparts to attend the Basel meetings, which they did with increasing regularity during the 1960s, due to matters pertaining to the US dollar. Holtrop used Monday for addressing managerial issues with the staff and left on the Monday evening night train after a discussion over dinner with the managers. He read everything, had a precise overview and delegated little. He was energetic and not always easy for his staff to work with. He calculated that in 21 years he spent almost 200 weekends in Basel, altogether about two years of his life. In November 1958 the British Radcliffe Committee on Working of the Monetary System consulted with him as monetary expert about British monetary policy and the workings of the Bank of England. Holtrop was critical of inflationary tendencies and underlined that, in the pursuit of monetary equilibrium, monetary policy should not be subordinate to budgetary policy but rather coordinate. In 1962 the Canadian Royal Commission on Banking and Finance consulted him similarly on the purposes of monetary policy. When European monetary cooperation began to develop in the early 1960s the BIS was not eager to play a role, but Holtrop reached a compromise with the European Commission to host the meetings of the central bank presidents of the member states of the European Economic Community. Between 1964 and 1967 Holtrop chaired the consultative Committee of Central Bank Governors, the only Community organ to gather in a non-member state (until 1994 when the European Monetary Institute was set up in Frankfurt am Main, Germany), as it met monthly at BIS headquarters in Basel.

Holtrop followed the Bretton Woods institutions closely. In 1947 he became alternate governor for The Netherlands at both the IMF and the IBRD. With the country spending its last reserves and Lieftinck's effort to get an IBRD loan still unsuccessful, French Central Bank President Emmanuel Monick revealed to Holtrop during a walk near the BIS headquarters in May that the US was to launch the Marshall Plan. This early information changed Holtrop's prospects for the future. Following his visit to Washington DC, France and The Netherlands were the first two countries to receive reconstruction loans from the IBRD. An IMF credit followed the same year. Lieftinck and Holtrop (who was IMF governor between 1952 and 1967) visited the combined annual meetings of the two institutions together, using the opportunity to exchange thoughts with other finance ministers and central bank presidents. Gerda Koen, who headed the small section established at the Dutch central bank to handle the technical and operational aspects related to the IMF and acted in Washington DC as the Dutch Executive Director's assistant, ensured that Holtrop could speak at favourable times. Holtrop's speeches at the IMF focused on the supply of money that should be sufficient to stimulate sustainable real growth of the world's production and trade, but that should have neither an inflationary nor a deflationary bias. Instead, stable money should be provided for the benefit of all. In 1954 he warned that easy access to the still insignificant IMF resources should not become an instrument for slowly but persistently spreading inflation and two years later advised that countries which wanted to use IMF resources should follow proper fiscal and monetary policies at home. During the late 1950s Dutchman Jacques Polak, who had joined the IMF research staff in 1947, developed a small model for monetary analysis that was similar in outlook to the one Holtrop had developed at the Dutch central bank. Polak's model was used in IMF country analyses and contributed to the IMF's monetary approach to balance of payments issues.

In the early 1960s the Bretton Woods system began to weaken due to problems with US and British currencies. When the total amount of dollars exceeded the US holdings of gold in 1960, speculators demanded gold for their notes. The same happened during the sterling crisis of 1961. An international solution had to be found, particularly because the IMF facilities were insufficient to handle these crises. Holtrop believed that the system was not the problem but its misuse. He also believed that the debate about international monetary problems should not be held in the US, where problems were discussed only bilaterally or among specialists, but in an open and informal conversation between central bank presidents. This is why he initiated the Sunday evening dinner at the BIS in Basel in 1960 and invited representatives of the US Federal Reserve and the IMF Board to attend. Although the monthly meetings and some BIS support proved helpful to the US, the US government did not consider finding a solution through the BIS as it preferred the Organization for Economic Cooperation and Development (OECD), which established a working party to discuss the coordination of the balance of payment positions of its member states. It was agreed that the IMF and the BIS would attend the meetings of this working party. Holtrop secured inclusion of the BIS through Dutch civil servant Emile van Lennep, who chaired the OECD working group, and Robert Roosa, US Under Secretary of the Treasury, who 'welcomed BIS participation' (Yago 2013: 230). The creation of another international financial facility, the General Agreement to Borrow, was outside the IMF's jurisdiction and was controlled by a Group of 10 states (G10), which would meet regularly to discuss monetary cooperation and reform at Holtrop's BIS in Basel. During the 1960s the G10 played the leading role among the international institutions by devising a new international currency facility for the IMF, the Special Drawing Rights. The BIS was part of the activities, but Holtrop was disappointed that his international monetary views found little response. Inflation rose seriously but the community of central bank presidents did not reach agreement about the necessary policies and measures to keep it under control.

Holtrop decided to conclude his career upon reaching retirement age at 65 in 1967. Jelle Zijlstra became his successor at both the Dutch central bank (as of 1 May) and the BIS (as of 1 July). In 1971 Holtrop participated in a Dutch scientific debate in which he discussed the effectiveness of his monetary experiences between 1954 and 1969. The comments made it clear that the time of his approach was over. His strength had been the development of a quantitatively-oriented monetary policy, which he had applied at the Dutch central bank, the BIS and the Bretton Woods institutions. Kazuhiko Yago (2013: 197) counts Holtrop among the small group of individuals 'who restored the BIS during the postwar reconstruction period and, over time, led the way to restoration of the Bretton Woods system'. During the 1960s Holtrop managed to make the BIS a relevant institution among peer organizations, such as the IMF and the OECD, but he had to notice that the growth of international credit facilities was accompanied by weaker monetary discipline, which he believed to be so essential. After retirement Holtrop did not engage in any public functions, except that he was part of the committee of three wise men who made an inquiry into the Lockheed bribery scandal in The Netherlands in 1976. Prince Bernhard was found guilty, but spared. The solution found was that Bernhard had to step down from several public functions and was forbidden to wear his military uniforms again. Holtrop enjoyed his private life, but his health deteriorated due to a stroke. His second wife died in 1986 and he passed away at the age of 85 in 1988.

May 2021: name Gerda Koen corrected

Archives

Dossier M.W. Holtrop 1946-1967, Nr. 2.25.69.13, in the archives of De Nederlandsche Bank N.V. in Amsterdam, The Netherlands, see www.dnb.nl/binaries/2.25.69.13%20archief%20van%20president%20Marius%20Wilhelm%20Holtrop%201946-1967_tcm46-332562.pdf?2020121721

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