



P I O N *of* pionier

*Rotterdam-
Gemeentelijke bedrijvigheid
in de negentiende eeuw*

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Summary Pawn or pioneer Rotterdam - municipal activity in the 19th century

This thesis is a historical survey of the causes of and the motives for government growth. Its focus is on the foundation of municipal works in Rotterdam in the nineteenth century.

Chapter 1 is an account of the way Rotterdam dealt with drinking water, waste water and garbage. Initially the difference between these three items was less obvious than nowadays. The city canals served all three purposes. This interconnected relationship formed the background of the foundation of the municipal water works (1869) and the municipal waste disposal department (1876/1877).

The water works were intended to produce sufficient quantities of water to flush the city canals, the obvious possibility to use the water as drinking water was considered as an extra, but was not the reason for its foundation. Investors were prepared to initiate private water works, but due to the terms the city council stated, they abandoned their plans. The city council's attempt to get the flushing water for free, effectively blocked the introduction of private water works. In 1869 the city council therefore was obliged to build municipal water works. Fears that the works would cause financial losses soon proved to be false. The sale of drinking water was highly profitable.

In the second half of the nineteenth century Rotterdam's demographic and territorial growth was explosive. In the older parts of the city faeces were disposed of through the city sewers. To get rid of faeces in the new quarters of Rotterdam an expensive new system of sewers had to be built. Due to the cost involved the city council hesitated. The Dutch city of Groningen used an alternative way to dispose its faeces. It collected the waste matter in barrels and sold the contents to farmers who used it to fertilise their lands. The Groningen alternative and the financial rewards it offered seemed

attractive to Rotterdam. The construction of expensive new sewers could then be suspended. The Rotterdam council decided to collect the faeces in barrels and expected to gain a profit. However, the municipal waste disposal department that was founded to serve that purpose failed to sell the excrements at a profitable price and was confronted with extensive losses.

Chapter 2 deals with the building and the exploitation of municipal port installations on the south bank of Rotterdam. Due to the economic growth in the second half of the nineteenth century the demand for port facilities in Rotterdam was increasing. The city council hesitated to provide new quays, because the only place left to build these facilities was on the other side of the river, and to reach it an expensive bridge was necessary. Central government, however, forced the city to start the project. A private financier, the Rotterdamsche Handelsvereniging (RHV), convinced Rotterdam of the necessity to build the bridge and in exchange offered to construct port facilities. The newly built docks promised to be a good investment. However, a stay in the privately exploited new docks was expensive. Ships were not only obliged to pay port dues to the RHV but to local government as well. The new docks therefore remained empty. Besides, conflicts between the city council and the RHV concerning the control of the docks spoiled relations. Under those circumstances a cooperative effort to solve the problem of the double port dues was unlikely. In 1882 the RHV agreed to sell its investment to the city of Rotterdam. Rotterdam obtained a Dfl. 12 million investment with only Dfl. 4 million. By acquiring the new docks Rotterdam extended its activities. Like the RHV it now also provided storage facilities. The exploitation of the new docks was organised in a separate, publicly conducted undertaking.

Chapter 3 is an account of the foundation of the Rotterdam energy facilities for gas and electricity.

The first municipal gas works were constructed on the south bank of the river to satisfy the needs of the Rotterdamsche Handelsvereniging (RHV). The contract between the RHV and the city of Rotterdam, concerning the construction and exploitation of the new docks, explicitly stated this municipal task.

The gas works on the north bank of the river became municipal under quite different circumstances. Until 1884 two privately owned gas works produced gas for public and private demand: the British firm Imperial Continental Gas Association (ICGA) and a Dutch undertaking, the Nieuwe Rotterdamsche Gasfabriek (NRG). Gas for public lighting was supplied by the gas works at a very low price. Private users were charged a much higher price. For that reason some members of the council advocated municipal exploitation. Their number however was too small to bring any change.

One of the aldermen, a staunch supporter of municipal exploitation changed the scene by launching a proposal to buy the NRG works and to start municipal exploitation. His proposal was in line with the wishes of the council members that protested against high gas prices. He also obtained the support of nine members of the council who were shareholders of the NRG. By voting for municipal exploitation the shareholders voted in their best interest. The city council was considering a reorganisation of the gas market and there was good reason to believe that this might eventually lead to the closing down of the NRG works. The selling of the NRG assets to the city of Rotterdam proved to be profitable for its owners.

The proposal was accepted and in 1884 the exploitation of gas became a municipal affair.

The start of the eighties was important for the position of the electricity supply industry in Rotterdam. The start of municipal exploitation of gas had important consequences for electricity. The Russian émigré Achilles de Khotinsky applied to the city council for a permit to lay cables in the city ground and to distribute electricity in the centre of Rotterdam. The council, however, refused to cooperate. It protected its investment in the municipal gas works against any possible competitor. It claimed that if electricity was to be supplied on a larger scale, exploitation should be municipal. However it took another ten years before municipal electricity was supplied. The possibility to equip port cranes with electricity, thereby showing Rotterdam to be a modern port, resulted in a breakthrough. Electric cranes were considered less cost effective than steam cranes. The sale of electricity to private customers was meant to compensate the losses the cranes were expected to cause. Unexpectedly the Rotterdam electricity works were very profitable from the start of its production in 1895.

Chapter 4 is a bridge between the first three chapters with an empirical character and the rather theoretical chapter 5.

To analyse the growth of municipal activity one should distinguish main products of municipal undertakings and by-products. The search for causes of and motives for government growth must focus on the main products. It is, however, important to be aware of the possibility that actual by-products were initially main products, and vice versa. For this historical analysis the start of the decision making process determines what is to be considered as the main product.

Furthermore it is important to distinguish between the start of new activities and the increase of activities that were already considered government tasks in the past.

In this chapter three causes for government growth are presented: tradition, finance and self-interest.

The main products of the municipal works for water, gas (on the south bank of the river) and for the exploitation of the new docks had one thing in common. The flushing of

sewers, the lighting of streets and the exploitation of quays had been municipal for ages. They traditionally belonged to the municipal task. Their growth was the direct result of economic, demographic and spatial growth of the city. As the city grew, these activities expanded.

City finance was also an important cause of government growth. As nineteenth century government expanded, financing became problematic. City deficit, strange as it may seem, became an important motive for government growth. By starting profitable undertakings the city council could finance less profitable areas of government activity, it was thought. The perception of profitability often turned out to be unrealistic. For a historical analysis the unrealistic but nevertheless decisive view should lead the way. The selling of faeces was considered profitable and for that reason it was incorporated as a municipal activity. The foundation of municipal electricity works was judged as financially hazardous, however, profit was still the main reason for its foundation. As the gas works were municipal, the city council thought it wise to claim the exclusive rights for the production of electricity. A potential competitor of gas was eliminated. The main reason for the foundation of the municipal electricity works was the protection of the profits of municipal gas.

The third reason for government growth was self interest. Again a historical approach is taken. It was not the results of the decisions of the city council that were analysed, but the motives for these decisions. The foundation of municipal gas works on the north bank of the river was inspired by the interest of gas users, who hoped to obtain a lower price for gas, and by the interests of the shareholders of one of the private gas works. Private interest worked the other way round as far as the exploitation of dock facilities was concerned. The private *Rotterdamsche Handelsvereniging* (RHV) was granted the exclusive right to exploit port facilities on the southern bank of the river. The RHV owed all this to its president, mr. Pincoffs, who used his position as a member of the council to obtain this exclusive right.

Chapter 5 aims at bringing the information of the first four chapters on a more general level and tries to show the relations between the different causes and motives for government growth.

The chapter starts with an investigation of the influences of the economic theories of neoclassical economists, state socialists and social democrats. The timing of the introduction of the theories and the timing of the decisions taken in Rotterdam lead to the conclusion that, if any economic theory could have influenced these decisions, it was only the neoclassical one.

The chapter continues with the construction of a model based on Wagners 'Gesetz der wachsenden Ausdehnung der Staatsthätigkeiten' and Peacock and Wiseman's findings in *The growth of public expenditure in the United Kingdom*. The Wagnerian approach is used to explain the growth of traditional government activity caused by hardly controllable factors such as demography, economy and spatial growth of the city. In this part of the decision making process the city council is like a pawn in a field of uncontrollable and unpredictable forces.

Peacock and Wiseman's approach is used to explain the more rational factors, mainly the financial motives. The financial considerations and the solutions the city council found and introduced, show a creative, pioneering government.

Financial motives and tradition are not sufficient to explain the growth of government activity fully. But once these causes and motives are assessed, the picture becomes clearer and the remaining causes and motives can be mapped more easily. In the case of Rotterdam, on several occasions self-interest of members of the council was an important reason for government growth.

The chapter concludes with a model in which the relations between causes and motives are elaborated.