

Economic Reflections on The Dutch Republic and Britain, 1500-1800

Aster Chin

Lowell High School
San Francisco, CA

NEH Seminar 2007; The Dutch Republic and Britain:
The Making of Modern Society and a European World Economy

In the hope of writing a reflective seminar experience paper that might be useful to social studies teachers, I will summarize some of what I had learned about economic development in Britain and the Dutch Republic from approximately 1500-1800 by comparing them to one another, highlighting some key differences between each state. In order to relate this material to students, I compare the economic growth of any country to the personal growth of an individual. There are many factors that affect an individual's growth—most importantly are the individual's parents, but other factors include family wealth (or access to monetary resources), intelligence, physical appearance, personal values, the ability to learn from one's own mistakes and the individual's use of opportunities afforded them through the course of their lifetime. These individual growth factors affect each person differently, which is what makes each person unique. Similar to how these factors create individuality within people groups, there are various economic growth factors that affect how each country develops, which explains why economic development occurs in such a diverse manner. A parallel can easily be drawn between individual growth factors and factors that lead to economic growth. One of the most important factors affecting economic growth is the country's government—what policies it decides to implement and how it goes about implementing these is critical to whether or not people will choose to engage in economic activity. This is similar to the influence parents have over our lives. Other factors contributing to economic growth include: resource availability, national income, the nation's values reflected in decisions made regarding how to allocate those resources, the ability to learn from national mistakes, and the use/preservation of its' resources. As each person becomes a unique individual as a result of the combination and timing of the various personal growth

factors, countries also develop unique economic systems/circumstances as a result of the combination and timing of economic growth factors. My argument is that the individuality of economic growth comes as a result of *both* a combination and the timing sequence of how these growth factors affect each economy. It is not enough to have abundant resources, or a government that encourages economic growth; the government policies must be implemented and resources used in a timing sequence favorable in order to for growth to occur. Perhaps this is why, despite the fact that the Dutch Republic and Britain were the first world economic powers, they hold very different positions within the world economy today. In my comparison of the developing economies of these two nations, I will look at three areas within each—politics, economics, and social institutions/relationships—during three distinct time periods—the pre-Dutch revolt and Golden Age years (1500-1580), the Golden Age (1580-1660) and post-Golden Age years (1660-1800). [Note that these are not precise time frames and are used only for loose comparison purposes.]

The years prior to the Dutch Revolt and the Golden Age (from about 1500-1580) can be compared to adolescent years, where we experienced the pubescent growing pains of not quite being independent enough to make well-informed decisions on our own but yet, make these decisions regardless and so end up making some mistakes in the process. During this period, the political situations in both nations were changing—the British government tended to be more controlling whereas the Dutch government was falling apart and so by default, took a more “laissez faire” position toward events occurring in this time. In Britain, Henry VIII broke from the Catholic Church and during Elizabeth I’s reign, began trading with India and North America, trading slaves for the first time. The British colonies were controlled primarily through the power of guns, as there were few Britons who actually lived there, outside of those who served as governors or in the military. In the Dutch Republic, there is the breakdown of the Habsburg regime, leading to the revolt of 1572. The economic situation in Britain was closely tied to the social institutions during this time, where the monarch controlled the lordship/tenancy relationships which were dominant. There was a strong sense of neighborliness within the society in the early 1500s, which changed because of inflation. The rising price levels affected landlords, who eventually had start increasing rents, changing the long-

existing social norm of keeping rents constant. Britain experienced a slow increase in the population but a relatively quick increase in income inequality, so there was an increase in the purchase of inferior goods and vagrancy overall. How did the British government respond to this? They instituted “poor laws” in the 1550s, which turned out to be marginally effective.

The economic situation in the Dutch Republic during this same time period was much brighter than that in Britain. The guild system was dominant, to the point where the guilds had almost-monopoly power, except for when/if the government would step in to aid the poor. By the late 16th century, the Republic had reached its’ trade primacy—the “rich trades” and the processing industries that went along with these trades grew rapidly; the Dutch implemented improved business strategies by re-opening waterways to continue/improve trade routes; the Dutch labor supply was fairly elastic (compared to the rest of Europe, where most laborers had died due to the plague) and this elastic labor supply was fairly flexible in terms of the jobs that they could perform. The government’s response, then, was to simply create policies to increase the ease of business transactions. To provide a brief synopsis of these two nations in from 1500-1580 then, is to say that, Britain was like a teenager concerned with trying to survive by forming good relationships given the constraints of a controlling set of parents—this “teen’s” (Britain) growth was somewhat inhibited during this time. The Dutch Republic, on the other hand, is like the relatively independent child who is able to stand up and fend for him/herself, not because the Republic was inherently more independent than Britain, but because it was forced to out of necessity since it was so geographically isolated from the rest of Europe. The goals of both countries were the same: to survive and provide for prosperity, only in this case, the Dutch Republic accomplished this goal first.

The Golden Years (1580-1660) are like the years of early adulthood—where the individual is coming into and finding oneself. During this time, the British had beheaded Charles I and were in the process of expanding their colonial empire. They experienced economic expansion because of: 1) increased land use/cultivation (as a result of the breakdown of the former landlord/tenant relationship); 2) an increase in textile demand which provided many jobs; 3) an increase in iron production and coal mining (note that this came *not* as a result of technological innovation but of existing foundations); 4) the

use of credit for payment (which created more income for people); and 5) the granting of monopoly privileges, such as the English East India Company, which allowed trading to occur without competition. There were many societal changes as well—more Britons settled in the colonies, women married older (due to economic success), there was an increase in enclosures and usury, and the government implemented a more effective national poor relief system. Britain was learning to better use its' resources, as seen by the great economic improvements during this time. The Dutch Republic had a different set of challenges during this time—rather than try to reach an economic highpoint, it had to fight to maintain its' position of trade supremacy. Politically, the Republic struggled because the war costs (war with Spain) were starting to exceed the revenues that the government received. During the 12-year truce with Spain, the Dutch were embroiled in serious debate over Catholicism versus Calvinism versus Lutheranism; this debate took over much of societal life at the time. Economically speaking, the high war costs led to higher taxes. Combine that with a decrease in overseas commerce, the Dutch Republic experienced challenges in trying to maintain economic stability. From 1580-1621, the Republic successfully maintained its' economic strength, demonstrated by the fact that it had the highest wages in all of Europe. The high wage level was due to: 1) increases in capital stock as trade increased (albeit at a declining rate) because credit was offered for favored access to raw materials and sales were financed to guarantee customers; and 2) increased immigration and length of work hours. In order to maintain its strong economic position however, the Dutch Republic had to fight, and so, in the process, garnered some rivals which would later cause them trouble. Still, during the Golden Age, the Dutch economy still grew because of its' strong domestic markets and low interest rates. So as the individual struggles to come into his/her own and find his/her self during the early adult years, Britain and the Dutch Republic are doing the same—Britain learns to better use its' resources which resulted in the strengthening of economic markets and national identity while the Dutch Republic is like the successful child who learns discipline in order to fight to maintain its' economic strength and national pride.

Economic growth in both nations during the 1660s-1800 can be compared to our remaining adult years, where we simply try to cope with life's ups and downs. During this period, the British monarchy was restored under Charles II, William and Mary from

the House of Orange ascended to the throne after the “Glorious Revolution” and colonial empires continued to strengthen. From 1650-1750, Britain experienced a period of great long-run economic expansion; their resources were fully used, they had manufacturing diversity and an accumulation of capital. This expansion was due primarily to demographic stability, price decreases combined with real wage increases and increases in net exports. British government policies, at the time, were aimed to maintain societal order and stability, control economic activity special to their own military needs (i.e., maritime interests to protect its’ navy), and protect and enhance national wealth/income. Over time, policies slowly changed to become almost laissez-faire. In 1651, the British implemented the Navigation Act, which protected its’ own economy from the Dutch. Additionally, the British parliament fixed taxation structures to maximize revenue by taxing land and other things, such as post/goods/services. There was also a renewed use and understanding of capital/credit, in the sense that there were three ways of measuring capital: capital stock (money and goods), cultural stock (skills), and social stock (relational networks). It appears then, that in Britain during 1660-1800 encountered some good fortune that, when combined with planning and decision making that corrected for mistakes past, helped facilitate economic growth.

The Dutch Republic, on the other hand, was not so fortunate during this period. The naval wars with England greatly disrupted Dutch commerce which marked the end of the Dutch Golden Age. One of the factors that brought the Golden Age to an end included the fact that the overall price levels had declined while nominal wages were still high (since wages are rigid downward). This led to a decrease in labor productivity since employers are less willing to hire workers for longer hours with the high cost of wages. Another factor that contributed to the end of the Golden Age was that the Dutch Republic had highly restrictive trade laws (perhaps this was in response to Britain’s Navigation Acts in 1651). Dutch economist and businessman, Pieter de la Court argued that, with the overstocked Dutch markets and restrictive trade policies, the only avenue of growth for the Republic was via new settler colonies. This, however, was not a possibility for the Dutch Republic because they had just lost colonies in Brazil and New Netherland. Additionally, trade with Asia declined because of Japan’s restrictive policies and increased competition with the English East India Company. Therefore, the Dutch

Golden Age ended when their investment potential became zero as a result of these factors/circumstances. The more important thing to note here, however, is how the Dutch people responded to these unfortunate circumstances. Rather than succumb to defeat, they were pro-active in trying to preserve and maintain their economic state. The Dutch took action to consolidate and protect their industries and changed production mixes while shipping production processes to lower wage industries (similar to outsourcing). The slave trade and sugar markets were strong economic growth sectors during this time, but the Dutch still struggled with high taxes (due to the costly wars they had engaged in over the years) and desperately needed to focus on establishing peace rather than economic policy. This is why they supported William III in his desire for the English throne because they wanted (and needed) the French to stay out of their way (politically and economically). In looking at the development of events in the Dutch Republic during this period then, it is clear that it was not enough that the Dutch were good business planners; when faced with unfortunate political and resource-related circumstances, even the best business planners could not prevent economic decline.

When comparing the economic development of both of these nations, it is clear that they both started off with varying growth potentials—different political systems, different resources available to each and a different set of values used to make decisions about how resources ought to be allocated. It is not enough to look at the resources available to either and conclude that one would turn out to be the stronger economic power, just like it is not enough to look at the resources an individual has at birth to conclude whether he/she will become successful later on in life. There are many factors that affect growth—within the individual and economic systems. These factors alone do not determine success. It is the timing of these factors combined with the factors themselves that cause both the individual and an economy to grow; it is, as my friend and colleague from the NEH seminar Allan Bikk has said, “an organic process.” To that, I will agree and conclude that, while both world economic powers at one point in history, the Dutch Republic and Britain became such because of the combination and timing/use of natural resource advantages, political and societal changes and favorable economic environments—growth could not have ensued otherwise.

Bibliography

- Berg, Maxine. *The Age of Manufactures, 1700-1820: Industry, Innovation and Work in Britain (2nd ed.)*. Routledge, 1994.
- De Vries, Jan. *The Economy of Europe in an Age of Crisis, 1600-1750*. Cambridge University Press, 1976.
- Hobsbawm, Eric J. *Industry and Empire: the Birth of the Industrial Revolution (rev. ed. 1999)*. New Press, 1999.
- Israel, Jonathan. *The Dutch Republic: Its Rise, Greatness, and Fall 1477-1806 (Oxford History of Early Modern Europe)*. Oxford University Press, 1998.
- Wrightson, Keith. *Earthly Necessities: Economic Lives in Early Modern Britain*. Yale University Press, 2000.