MERCANTILISM AND IMPERIALISM IN THE RISE AND DECLINE OF THE DUTCH AND BRITISH ECONOMIES 1585-1815

BY

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Summary

This essay locates the rise and relative decline of the economy of the Netherlands over the period l585-l8l5 in geopolitics. It has used the rise of Britain, l688-1815 as a point of reference and for bilateral comparison, in order to validate a hypothesis that 'the degree of avoidable decline' had less to do with inefficiencies in the economic sphere, but flowed essentially from political failures to countervail blatant and violent challenges from the new nation's mercantilist rivals – particularly France but also Britain. I concluded that a similar pattern of political complacency, cultural inertia and liberal myopia marked the response of imperial Britain to the threat from Germany after its reunification in l870.

Key words: taxation, public debt, power mercantilism, imperialism, colorization

1 WINNERS AND LOSERS FROM THE FIRST ERA OF EUROPEAN IMPERIALISM 1415-1815

Economic historians who have engaged in attempts to draw up balance sheets of costs and benefits for the mercantilist age of imperialism (which began with the Portuguese Conquest of Cueta (1415) and ended with the Treaty of Vienna four centuries later) recognise that two Protestant societies garnered the largest shares of the overall gains to Western Europe from political and economic connexions with Asia, Africa and the Americas.

Colonization and commerce with other continents did more to transform the Netherlands and England into successful market economies than the strategic pursuit of expansion overseas did for any other European nation (Nunez (1998)). Already by the late sixteenth century an extraordinary amount of the profits obtained from servicing intercontinental trade accrued to Dutch merchants, shippers, bankers, brokers and insurers. Large (but alas impossible to quantify) shares of oceanic trade within and beyond the empires and trading networks of the United Provinces came to be financed, shipped, insured and distributed initially (1585-1713) through Amsterdam and thereafter increasingly through London (O'Brien (1999)). Large proportions of the cargoes of manufactured commodities and processed foodstuffs, exported to Asia, Africa and the Americas, were produced for

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a long time in Holland. By the eighteenth century imported raw materials from other continents provided the inputs for industries located within and around Dutch, English, Scottish (and Irish) ports (Pohl (1990)). Their outputs were sold mainly on European markets, but important shares returned in more processed and valuable form to Asian, African, and American consumers (Tracy (1990)). First Dutch and later English merchants financed and organised the transhipment of crops, minerals, (bullion) manufactured commodities and factors of production (particularly slaves but also indentured servants and migrants) from latitude to latitude and from geographical zone to geographical zone. From the late sixteenth century onwards, profits from servicing and funding *inter-cum-intra* continental trade (which increased in line with the growth of global commerce) accrued in ever increasing proportion to Dutch and later to English businessmen whose enterprise actively promoted the development of trade and specialisation by region, country, and by continent (Tracy (1991)).

For more than a century the Netherlands continued to be envied (especially by the English and French) as the most advanced and successful commercial economy in Europe. As Josiah Child observed in 1688: 'The prodigious income of the Netherlands in their domestic and foreign trade riches and multitude of shipping is the envy of present and may be the wonder of future generations (Letwin (1959)).' The United Provinces can be compared with Venice and Portugal. It was another example of a small, competitive but politically vulnerable power taking full advantage of opportunities offered by the expansion of European trade with other continents. From a good site and solid domestic economic base (rooted in an advanced agriculture, extensive proto-industrialisation and long participation in intra-European trade), Dutch merchants, bankers and shippers (subsidized and encouraged by their own federal government) invested heavily in intercontinental trade and, directly and indirectly, in the naval power and maritime imperialism that went along with involvement in global commerce (De Vries and van der Woude (1997)).

Dutch resources and their considerable entrepreneurial talents came to be concentrated in three connected but separable types of mercantile endeavour. First (and most successfully), they operated for nearly three centuries as major carriers and distributors of commodities produced by the farms, plantations, mines and firms of Portuguese, Spanish, French, and British possessions and dependencies in Asia, Africa, the Caribbean, and the Americas. Legally and illegally, in complex and circuitous ways, generations of Dutch middlemen profited from supplying the markets of other European empires and trading bases with the food, textiles, metals, weapons, transport equipment, tools, and the slaves that they required to develop colonies in and trade with the Americas, Asia and Africa. En route Dutch ships engaged in shorter distance exchanges from port to port before they returned to Amsterdam with cargoes of produce, minerals and luxury manufactures from tropical zones which local industries then processed, packaged and distributed around Europe. As middlemen and financiers the Dutch probably reaped their largest and most endurable share of the gains from intercontinental trade, from transportation, the extension of credit, and from the storage and distribution of exports and imports from European colonies, plantations and dependencies overseas (Israel (1989)).

Secondly, over the first half of the seventeenth century the Dutch attacked the Portuguese, Spanish and Chinese empires and established a network of fortified trading posts, bases and plantations of their own in Asia under the control of the 'Verenigde Oostindische Compagnie' (VOC). Like the Portuguese (but with more success) the Dutch used naval power and colonization in an attempt to monopolize the transhipment and sale of Asian spices (mace, nutmeg, cloves, and cinnamon and more important foodstuffs such as pepper and coffee) to Europe for the profit of the Republic. Returns fluctuated but diminished over time as gradually commerce between West and East came to be dominated by imports of tea and textiles and because competition from rival French, Danish and above all from English East Indian Companies pushed prices and profits closer to competitive levels (Israel (1982) and van Zanden (1993)).

Thirdly, the Dutch invested in colonization and settlement across the Atlantic but that venture turned out to be unsuccessful. They ultimately failed to establish a foothold in North America and the Portuguese re-conquered their plantations in Brazil after a brief but very costly attempt at occupation by the Netherlands between 1629-1654. A decade later New Amsterdam passed under British control and became New York and around that time bases in Anglo and the Gold Coast were also lost. Although the Dutch West India Company colonised islands (the Antilles and Curaçao) and tracts of territory (the Guyanas) on the mainland, its Atlantic bases served basically to facilitate carrying trades with French and British and above all Iberian possessions. The small islands taken by the United Provinces never produced enough sugar, tropical groceries or anything else to meet more than fractions of total European demand (Emmer (1998a)).

Meanwhile as carriers, the merchants and shippers of the United Provinces suffered from British, French and Iberian naval and military attacks in times of war and persistent hostility and discrimination during interludes of peace. Apart from spice islands in Asia, and some maritime bases and tiny colonies in the Caribbean, Dutch participation in this first era of European imperialism remained concentrated on supplying mercantile services: shipping, credit, insurance, packaging, processing, and some of the long-term investment in the fixed assets required to establish Iberian, French and English settlements overseas. As intermediaries the Dutch remained vulnerable to the enforcement of navigation codes, tariffs, embargoes and other mercantilist regulations designed to exclude them from commerce with rival European empires (Boxer (1973) and Tracy (1990)). In wartime they found their ships, forts, trading posts, and islands under frequent attack, particularly when they prudentially opted (or were reluctantly compelled) to ally with the wrong side during that long sequence of wars between England and France between 1689 and 1815 (Arrighi (1994)). Furthermore, as a small and decentralised state on the mainland of Europe, the United Provinces could hardly defend its borders against French power. Wars against Louis XIV augmented an already huge public debt, which led on to ever higher levels of taxation and eventually transformed Holland into a satellite of England ('t Hart (1999) and Israel (1995)). After its protracted struggle for independence from Spain the Republic was twice invaded – first in 1672, and again at the end of the War of the Austrian Succession. Finally, the destructive armies of Revolutionary France crossed the border when the already ailing Dutch economy and its diminished place in intercontinental trade became more seriously depressed by the prolonged political crises that accompanied the upheavals and foundation of the Batavian Republic and the country's absorption into the French empire, 1784-1813 (Schama (1977)).

Largely for political and strategic (rather than economic) reasons, the Netherlands failed to maintain anything like the substantial shares of global commerce the economy enjoyed during its 'primacy' during the late sixteenth, seventeenth and early eighteenth centuries. Trade clearly mattered for the Republics long term prosperity and development. Whether the fluctuating flows of benefits derived in large measure from servicing intercontinental commerce and colonization carried the Dutch economy forward and up to a plateau of possibilities for an industrial revolution, that in retrospect 'seems counterfactually unimaginable' without a more sustained and effective commitment to Europe's imperial project remains as a question worthy of serious contemplation. Several new industries based upon imported raw materials, gains in productivity, higher rates of capital formation, the accumulation of skills, the acquisition of knowledge, and adaptation of Asian technologies, can all be plausibly connected to the Netherland's participation in oceanic trade. Yet, with hindsight, critics of national priorities accorded during the Golden Age to the mercantile and mercantilistic strategy pursued by the Republic are now inclined to argue that the gains do not seem large enough to dismiss an alternative story; which raises questions about returns to the economy from deep involvement in intercontinental commerce and imperialism and suggests that this may not have been that significant for the long term material progress of the Dutch Republic (Emmer (1998b)). Marc Bloch suggested that such historiographical speculations are best addressed through comparative history and Great Britain is the obvious case for a bilateral comparison centred upon a metaquestion of this kind.

After all then and now the British have been credited with having 'perfidiously' secured the 'lion's share' of the benefits accruing to Europeans from colonization and commerce with Africa, Asia and the Americas. Part of that success in international trade and services occurred not merely because England (and Scotland) avoided massive investment in the 'start up' costs involved in the establishment and expansion of trade between Europe and other continents but also because the British emulated Dutch methods of conducting international business and absorbed Dutch capital into joint mercantile ventures beyond the seas and frontiers of Europe.

Since the Reformation politically and ideologically the United Provinces and England shared and (from time to time) fought common Catholic enemies, i.e. Spain and France. Even at the height of three Anglo-Dutch wars in the seventeenth century businessmen in London and other British ports continued to adopt the techniques and forms of organisation that had made Holland and Amsterdam successful. Dutch banking, corporate forms of organisation, insurance, shipbuilding, nautical techniques, machinery, and industrial technology diffused along with merchants and craftsmen who migrated easily across the North Sea (Ormrod (1993)). After a Civil War and the execution of a seriously inept Stuart king, the restored English monarchy redesigned its fiscal and financial system along Dutch lines. In 1688, to ensure that kingdom's foreign, imperial and taxation policies supported liberty, commerce and intolerance towards Catholic and other forms of religious dissent, Parliament invited a Dutch Protestant to take the throne. Thereafter Dutch savings poured into the English national debt (O'Brien (1988)). Dutch merchants and financiers settled in London. Like their counterparts from that other vulnerable maritime power, Portugal, they welcomed any protection that their mercantile endeavours outside Europe could derive from an increasingly powerful and eventually 'hegemonic' Royal Navy (Baugh (1988)). After the Treaty of Utrecht (1713), on the Atlantic and around the Mediterranean, they joined their fortunes to the aggressive mercantilism of eighteenth century England. In Asia and Africa they prudently avoided provocative competition and virtually allowed British shipping and manufactures access to 'their carrying trades and markets.' (Wilson (1965) and Engerman (1998)).

England's famous transition to an industrial market economy emerged (with Dutch help) from within a mercantile and mercantilist matrix, dominated by commerce and colonization with continents beyond Europe. Not surprisingly the significance of exogeneous compared to endogeneous forces behind the First Industrial Revolution continues to be a subject of unresolvable controversy. It is the case that intercontinental trade represented only a share (albeit a growing proportion) of total trade with markets beyond the frontiers of the United Kingdom. All relevant ratios (calculated within the statistically insecure framework of national accounts available for the long eighteenth century) are simply not large enough to represent Britain's external economic relations as the 'engine' or as 'the major propellant' for the growth of the British economy as a whole (Mokyr (1993)). Although for industry (its 'leading sector') intercontinental markets and sources of supply, together with traceable connections to the activities and profits derived from servicing global commerce with Asia, Africa and the Americas, surely look more prominent in British economic history than such 'exogenous forces' do for the development of rival industries on the mainland – perhaps even for the industries of the United Provinces (O'Brien and Engerman (1991)).

Most British economic historians would agree that intercontinental commerce and imperialism should not be inflated (as they are in metanarratives of the World Systems School of Historical Sociology) into 'the one basic process that continuously fuelled the transformation (Blaut (1993) and O'Brien (1982)).' As usual for economies of any size the highest share of national output was sold within the realm. Most of the raw materials, inputs, factors of production, knowledge and technologies required for the growth and diversification of industrial production continued to be procured on domestic markets. Britain's productive and responsive agriculture, its cheap and accessible supplies of energy, its flexible institutions and above all the skills, capacities and attitudes accumulated and embodied in the workforce provided preconditions for an effective response to opportunities to compete with the United Provinces and other European rivals for economic gains from intercontinental trade and empire (Price (1998)).

The areas, industries and margins of the economy where commerce with protected and imperial markets overseas mattered for the growth of industry, towns and urban services have now been well analysed in secondary literature. After protracted debate these linkages are no longer presented as dispensable components of British industrialisation as it proceeded from one long cycle to another between 1688 and 1815. All the numbers purporting to relegate gains from overseas trade in general and imperial trade in particular to reduced levels of significance have generally ignored Smithian growth as a preparation for more rapid industrialization; minimized externalities flowing from participation in international trade rest upon contestable assumptions about Britain's eighteenth century economy. These assumptions include: full employment and an even less plausible assertion that the allocation of resources (used by private enterprise and the state) to engage in intercontinental trade might in theory have been only slightly more productive in that sector than they might have been if allocated to available and equally profitable alternatives, producing for the home market and for intra-European trade (Harley (1994)).

Needless to say, the chronologies, and latterly the data upon which this anachronistic assessment of the significance of trade, mercantilism and empire are based, have been challenged (O'Brien (1998) and Cuenca-Esterban (1997)). Imperial historians now suggest that since Adam Smith the standard liberal critique of Hanoverian commercial and imperial policy has dominated too much of the high ground for academic discourse and that it is time to rescue the widespread political consensus about mercantilism and empire that marked this period from the condescension of posterity (Marshall (1998)). Very few 'Jacobite' critics of the 'Whig' strategy, writing between 1688 and 1815, mapped out alternative paths for national development that offered to take Britain to the expensively acquired position within the international economic and political order that the country occupied when Castlereagh signed the Treaty of Vienna. Over the long eighteenth century most statesmen, members of Parliament, Anglican scholars, mercantilist intellectuals, and above all merchants perceived that economic progress, national security and the integration of the kingdom might well come from sustained levels of investment in global commerce, naval power and, whenever necessary, the acquisition of bases and territory overseas (Gomes (1987)). Most 'Britons' applauded their states highly antagonistic stances towards French, Iberian and Dutch trade and colonization. Liberal economic historians who, with hindsight, nowadays suggest that realistic and less costly strategies were available, might lay them out for inspection and explain why a 'polite but commercially aggressive' people failed to discuss, let alone adopt them between 1688 and 1815. That same question could, moreover, be put to historians of the Dutch republic attempting to 'recontextualize' the role of overseas commerce in its impressive economic performance from 1585 to 1713.

Yet even 'British Whigs' will concede that the outward thrust in foreign and commercial policy led to burdens of taxation which increased dramatically over time and that taxes distorted and constricted the growth of the economy. Nevertheless, they also observe that the degree of compliance secured from recalcitrant Parliaments and from a traditionally rebellious body of taxpayers suggests that a strong degree of agreement existed about the broad objectives and profitability of state expenditures. Moreover, that consensus, embedded in the commercial and imperialistic cultures of British society, was sustained by fiscal policies that avoided direct forms of taxation, exempted the 'necessities' of a potentially disorderly underclass (especially Celts) from indirect taxes and structured their incidence in ways that kept the economy on course (O'Brien (1988) and Brewer (1989)).

Another 'cost' of imperial expansion: the rapid accumulation of a national debt (exposed in figures laid regularly before parliament) funded the immediate and sharp rises in expenditures on the naval and military forces required to combat Britain's foes at times of conflict. Some 'crowding out' certainly occurred but there seems to be no hard evidence that the loans and credit raised for the state seriously depressed private investment in the infrastructural facilities and capital goods required for the long term development of the economy. On the contrary, arguments (well rehearsed in the mercantilist literature of the period) conceived of enhanced levels of public 'investment' in naval power and military force as complementary necessary and required, directly and indirectly, for higher rates of net capital accumulation by the private sector. For a mercantilist age, marked by persistent recourse to warfare among European powers, it looks a-historical to contrast state – with all other expenditures under antithetical labels (derived from a modern national accounts framework) into 'public consumption' and 'private investment'; particularly as some economists now classify defence expenditures as investment. At the time such allocations were regarded by the aristocracy and the bourgeoisie, by landowners, merchants and industrialists as connected and inseparable elements of a package of policies that, in retrospect, can be represented as successful strategy for good order, for economic development and for the defence of the realm.

At sea, Europe's mercantilist era came virtually to an end at Trafalgar, 1805, and on land at Waterloo a decade later. When Castlereagh signed the Treaty of Vienna (which successfully preserved the balance of power on the mainland for several decades before the unification of Germany) Britain had emerged well ahead of the Dutch Republic as *the* world's hegemonic naval, imperial and commercial power and was, moreover, in the middle of a first industrial revolution. Massive and sustained public investment in naval and military power had been required to reach a position from where national security could be taken for granted and London's dominance in servicing global commerce and British industry's pole position for the sale of manufactures on imperial and world markets seemed assured for decades to come. Grudging tribute is paid by English historians to the Dutch contribution to British industrialization but most ignore that large but unwitting push forward from superiority to hegemony provided for the economy by France. Yet at the Congress of Vienna a Prussian general recognized it when he astutely observed: 'Great Britain has no greater obligation to any mortal on earth than to this ruffian Napoleon. For through the events he has brought about England's greatness, prosperity and wealth have risen high. She is mistress of the sea and neither in this dominion nor in world trade has she a single rival to fear.' A British statesman concurred and remarked 'we used to be first, now we are alone (Kennedy (1983)).' If the delegates at Vienna had possessed Dutch perspective they might also have reflected that, from the reign of Louis XIV onwards, French power had also played an entirely helpful role in steadily weakening the economy of Britain's leading rival – the United Provinces.

2 COMPARATIVE ADVANTAGES

Needless to say these economic and geopolitical questions form an integral component of a rich historiography concerned not only with the First Industrial Revolution, but also with the rise and decline of the Netherlands – a topic that has long attracted the best minds in Dutch history. An academic from the other side of the North Sea could never pretend to say anything really new. Nevertheless, his perspective might be different, if only because observers from outside the culture will ask why the Dutch (aware that they were slipping) failed to countervail the one European power and economic rival that decade after decade was so very clearly gaining at their expense?

Thus and for purposes of this, the metanarrative, I now propose to compare Dutch and British commerce and imperialism. And the question can be posed in Kindleberger's way: why (with all the advantages flowing from early primacy in world trade, from their status as 'the first modern economy' and from the geopolitical position that the Republic had acquired as protestant power that had defeated the might of imperial Spain) did the business elite and statesmen of the United Provinces *allow* their British rival to conquer the largest occidental empire since Rome, to seize such extraordinary shares of global commerce and to remain for several decades well ahead in the scale, scope and productivity of its manufacturing industry? (Kindleberger (1996))

As posed the question sets aside the complex tasks involved in the specification and measurement of the macroeconomic benefits derived from intercontinental commerce and imperialism; it assumes (with mercantilists at the time) that they were interconnected and of real material significance. It focuses instead on a manageable problem of why Britain first converged towards and then took over the positions of superiority in global commerce occupied by the Netherlands for nearly two centuries after the sack of Antwerp. We recognize, however, that British gains need not be commensurate with Dutch losses. Confronted with a historiography that suggests the United Provinces first became 'hegemonic' in global commerce, and then lost that position to a rival economy an economist would break down that 'macro representation' into analysable components – i.e. into particular goods and services traded on international markets, where Dutch shares loomed relatively large. To explain the observed predominance and its subsequent diminution for particular sectors of economic activity, he would also refer to Ricardian principles, reformulated by Heckscher-Ohlin and refined by Leamer and other modern theorists of international trade. Historians (looking at a rather small European economy, without an obviously unique range of natural endowments) would enquire into the origins of its competitive advantages in particular trades with Europe, Asia, Africa, and the Americas. They would accept Ricardian logic but find it more illuminating to elaborate upon the long run history of when, how and why the industries, farms, firms and mercantile enterprises of the United Provinces came to acquire clear positions of superiority over other national European economies in intercontinental trade, before proceeding to enquire when, how and why the Dutch lost primacy? That history has been narrated at every conceivable level of local, sectoral and institutional disaggregation and over chronologies regressing backwards in time to medieval origins before the foundation of the Republic in 1579 and the revolt of 1566 (Davids and Noordgraaf (1993) and Davids and Lucassen (1995)). Thus, to summarize familiar structural and geopolitical preconditions which allowed for and in some cases actively promoted the attainment of Dutch primacy in global commerce from say 1585 to 1713 and its replacement thereafter by British hegemony from, say 1688 to 1914 must lead to compression and simplification in order to encompass the most salient of contrasts.

Indeed, when he recommended comparative methods to historians, Marc Bloch advised them to foreground major contrasts which are unlikely to be found, however, in the form of natural endowments (Sewell (1967)). In locational terms both national economies seem about equally well situated to profit from opportunities offered from the growth of intra-European, trans-Atlantic, Mediterranean and intercontinental trades with Asia in the early modern period. On a per capita basis, their respective geographical endowments of harbours, sea lanes, rivers, soils, climates and elevations could not be juxtaposed to make a strong case for the competitive disadvantages of the United Provinces, compared to the British Isles in world trade and colonization (Pounds (1985)). That does not apply, however, to minerals because the advantages that flowed from the availability of Britain's metallic ores, and above all its coal deposits, had appeared before the end of the sixteenth century, and became entirely clear two centuries later (Wrigley (1988)). Peat (which the Republic possessed in abundance) did not: convert as efficiently into energy; substitute for the allocation of cultivable land to growing timber; generate a comparable range of spin-offs and externalities for heat intensive industries; promote forward linkages to investment in ships and seamen, who could be 'impressed' for service in the Royal Navy. Nor, finally, does there seem to be anything involved in the harvesting of peat that might have prompted the introduction of a sequence of engines designed to pump water out of copper and coalmines – which led (through experiments and improvements) up to James Watt's separate condenser; and eventually to the application of steam power to a widening range of processes in industry, agriculture and transportation. On any of the usual optimistic assumptions and assertions made by economists about substitutes for any lack of initial endowments, cheap accessible coal provided the British economy with important advantages over several of its European rivals, including the United Provinces (Unger (1984) and de Vries and van der Woude (1997)). Nevertheless, Britain's advantages from coal emerged gradually through time and only became stark during the second quarter of the nineteenth century when energy from steam substituted across a wide range of economic activity for horses, land, timber and labour as well as wind and waterpower. Before that the relative gains from cheap coal must be located: in a particular range of industries (the smelting and refining of metals, sugar refining, soap boiling, the manufacture of glass, pottery and bricks); in providing households with hot food and domestic warmth, which reduced the quantity of calorific inputs required per unit of labour time expended upon work and increased bodily health; in backward linkages promoting investment in shipbuilding, shipping and the training of seamen required to transport coal from mines to industries and urban consumers (Harris (1992)).

Thus it looks difficult to track the influence of coal upon the relative positions occupied by Great Britain and the Dutch Republic in global commerce before, say, the closing decades of the eighteenth century. Nevertheless, Britain's superior natural endowments surely provided more of a competitive edge than anything traceable to the realm's heritage of property rights, institutions, laws, and cultural order. Few (if any) really salient, cultural or institutional differences could be traced between the United Provinces and the United Kingdom which might help to account for the Republic's loss of hegemony in world trade.

For example, in both countries investors and businessmen enjoyed comparable systems of legal and customary security for their property rights, as well as similar standards of protection from crime and internal disorder (O'Brien and Quinault (1993)). Furthermore, the traditional British and 'aristocratic' view that the distribution of land ownership, size of farms and tenurial contracts for access to cultivable land provided a particularly favourable framework for the conduct of agriculture in Britain, compared to the rest of Europe no longer seems tenable (O'Brien and Heath (1994) and de Vries (1974)).

If long-term trends in rates of interest and fluctuations in price levels are indicative, the monetary and credit system of the Netherlands provided Dutch merchants, industrialists and governments with cheaper and more stable conditions for commerce and investment than the counterpart financial system across the North Sea. Furthermore and for long stretches of the seventeenth and eighteenth centuries, the 'first modern economy' apparently accumulated supplies of skilled and professional labour at rates that almost certainly surpassed the record of the British economy.

Alas, too many historians of national economic decline seek to traduce examples of entrepreneurial failure among national business elites. Evidence (usually of a biographical and cultural kind) is displayed to connote an embarrassment with riches, a loss of vigour, lapses into decadence, failures of imagination, increased aversion to risk, greater in tolerance, etc. – compared to previous generations of 'real entrepreneurs' or to competitive rivals beyond the borders of the national economy. Crude Weberianism continues to flourish among historians, but observable differences between the Anglican and Calvinist cultures of Britain and the United Provinces hardly evolved into serious behavioural constraints on investment, work and risk taking in one protestant society compared to the other. If anything, manifestations of 'aristocratic' disdain for effort, business success and social mobility looked stronger in England than in the United Provinces. Meanwhile, the new nation's religious and cultural identities could only have been reinforced and Dutch competitive tendencies intensified by the persistence of threats, first from Spanish and then from French enemies on the borders. English culture lacked the stimulus provided by foreign armies on its frontiers.

3 MERCANTILISM

Indeed, it is precisely within a geopolitical matrix of mercantilist competition for security, trade and empire (involving five European powers – Portugal, Spain and France as well as Britain and the Republic) that historians are likely to find clues to the major reasons behind the Dutch failure to maintain a lead over their most serious economic rival (Smith (1991)). In early modern Europe geopolitics really mattered. When Dutch businessmen and political leaders allocated resources to commerce and economic activities – located beyond the Republics vulnerable frontiers in Europe – they did so within a framework of rules, agreements and frequent resort to armed conflict that historians refer to as a mercantilist economic order (Tracy (1990, 1991)). Within that illiberal and violent context for international economic relations, the Dutch state manoeuvred with skill and courage in order to survive as a small but independent nation trying to strengthen its power and promote the development of its domestic economy and fiscal base throughout the period 1572-1815. Risks associated with operating economically beyond the borders of the Republic changed abruptly and frequently from peace to war which exercised profound effects on the volume, direction and composition of trade and through trade upon the growth and fluctuations of the increasingly integrated domestic economies of the United Provinces (Van Dillen (1974)).

Dutch participation in overseas trade had developed from a geographical location and a medieval tradition of involvement with fishing, shipbuilding and the carriage of goods by sea and along Europe's inland waterways (especially the Rhine and Meuse). For centuries merchants from all the maritime provinces of the Netherlands had exploited their advantageous locations and harbours; their skills in fishing and shipbuilding, as well as investment in fleets of ships in order to finance, insure process, package, label, warehouse and above all, to transport and exchange primary produce and manufactures across Europe's climatic, geological and proto-industrial zones of production. Their networks for commerce by sea, inland waterways and roads embraced the organization of exchanges between Mediterranean, Central and North Western Europe as well as the seaborne traffic in the primary produce and minerals grown and mined in countries adjacent to the Baltic and White Seas (Unger (1978)).

What could be less surprising than to find merchants from the Low Countries performing these self same functions for the exchange of tropical groceries, raw materials, foodstuffs and bullion that came on stream over the sixteenth century as manifestations of the tangible bounty from Portuguese and Spanish discoveries, colonization and the establishment of regular oceanic commerce with Africa, the Americas and Asia. Their role in coordinating, managing and profiting from intercontinental trade was, moreover, consolidated at the beginning of the sixteenth century, when (and as provinces of the former Burgundian dominions) the Southern and Northern Netherlands became part of Charles V's enormous far-flung Habsburg Empire – with provinces, bases and colonies located on the continents of Europe, Africa, Asia and the Americas (Wallerstein (1980)).

After that momentous 'dynastic accident', the future evolution of where incremental gains from trade might concentrate depended upon which provinces, towns and maritime cities in the Netherlands would capture the expanding business of servicing commerce for the Portuguese and Spanish kingdoms and their empires overseas. In effect that was virtually decided in Madrid by a series of religious, political and idealogical responses to the Reformation which led to the 'pacification' of the Southern Netherlands, by Spanish armies, the fall of Antwerp and the survival of the United Provinces at a critical conjuncture in European and global history (Lesger (2001)).

Between 1585 and 1621 the Republic achieved political autonomy and Amsterdam matured rapidly into the leading entrepôt for both European and intercontinental commerce. That occurred first and foremost as a result of the impressive skill, tenacity and courage displayed by Dutch armies and navies in their long struggle to prevent the political and religious 'reincorporation' of the United Provinces into the Habsburg Empire and the Catholic church. Secondly, the infant Republic secured real help from their Protestant allies, particularly from the Navy of Elizabethan England, which destroyed Spain's Armada in 1588. Thirdly, Philip II committed that inexplicable strategic blunder in 1590 when he diverted an ostensibly irresistible army under Farnese from the Netherlands to attack France (Israel (1995)).

During an extraordinary geopolitical conjuncture (1585-1609) merchants and statesmen of the Dutch Republic drew together and fused experience, capital and naval expertise from all over the Netherlands (north and south) and mobilized the private and public funds required to predate upon the property of their Spanish and Portuguese enemies in Africa, the Americas and Asia. Complementing defence of the homeland with profitable attacks overseas on enemy property then led the Dutch into the long run commitment required to establish quasi public corporations for colonization and commerce with other continents (Israel (1989)).

Engaged for decade after decade in a costly struggle with France the rulers of the Habsburg Empire (which for several decades included Portugal and its weakly defended possessions and privileges in Asia and Africa) lacked the resources and naval power required to protect the empire's wealth and trading networks overseas against determined Dutch incursions. Dutch strategic policy then matured through successful aggression into a permanent presence in Asia – in the form of a large Dutch East India Company (founded in 1602) and a sustained but ultimately failed attempt by a Dutch West India Company (founded in 1621) to achieve the same status and profitability in the Americas (Blussé and Gaastra (1981)).

Dutch corporate ventures overseas began and continued to be moulded by the eighty-year-long armed conflict between the Habsburg Empire and the Dutch Republic as well as by the vicissitudes of that empire's titanic engagement with France. In Asia the VOC achieved profits largely at the expense of the Portuguese and because rival national corporations (registered in London, Paris, Genoa and Copenhagen) lacked the diplomatic, naval and military power required to mount sustained challenges to Dutch primacy in almost all spheres of European commerce with India, China, Japan, and South East Asia. Indeed for several decades the English East Company operated as a client of its more powerful Dutch counterpart and in 1647 the VOC simply destroyed its Genoese competitor. To succeed in Asia Europe's national and quasi public corporations required strong support from their home states and the power to intimidate suppliers (as well as rivals) in order to maintain and, whenever possible, extend their monopolistic and monopsonistic positions in intercontinental trade (Gaastra and Bruijn (1993)).

Once established the Dutch ruthlessly maintained their leading position in European commerce with Asia. But on the Atlantic (in triangular trades with Europe, Africa and the Americas) they never achieved anything comparable. For several decades after 1585 options for Dutch enterprise and investment in the New World remained clear. One was to establish colonies, mines and plantations for the production of primary produce, minerals and other staples for sale on European markets. Alternatively, the Dutch could leave that kind of high-risk, slow-maturing investment and settlement to other nations and concentrate upon traditional comparative advantages as transporters, financiers and merchants – servicing well established Iberian empires in Southern America as well as the emergent British and French colonies in the Caribbean and North America. In times of war they could, moreover, readily supplement their earnings as middlemen by predating on the shipping and property of their Iberian enemies (Emmer (1998a)).

In the New World Dutch investors never mobilized the armed force, controlled enough unfree labour or built up the social overhead capital required to establish their own colonies for production and trade with Europe on anything but an entirely limited scale. Minor attempts to seize and occupy territory certainly occurred before 1634 when the Dutch West India Company conquered and attempted to exploit huge areas of that potentially profitable former Portuguese territory of Brazil. This costly move towards diversification ended in failure shortly after 1646 when Portugal regained independence from Spain, and Portuguese colonists then rebelled against their Protestant masters. Meanwhile for roughly a decade the company had attempted to attract Dutch settlers to Recife in order to reduce dependence on the Portuguese overseers and skilled labour required to manage the plantations, mines, forests, and the other potentially exploitable resources of a 'New Holland' in South America. Apparently the Dutch West Indies Corporation could not raise enough private capital, command sufficient support from statesmen back home or centralize its strategy and operations along the lines that had made the VOC effective in Asia (Goslinga (1971)). Emigration from the Netherlands never became popular. Unlike England the Republic hardly experimented with indentured labour or the transportation of criminals (Emmer (1986)). Most Dutch migrants travelled east, not west, and the Brazilian debacle, followed in short compass by the loss of New Amsterdam, consolidated a Netherlandish predisposition towards operating on the Atlantic as middlemen and carriers rather than colonizers. Furthermore, that congenial role for a small open economy became more stable and secure after the Peace of Westfalia (1648) when Spain recognized both the independence of the United Provinces as well as its bases, possessions and trading networks overseas. Thereafter, Dutch merchants, shippers, bankers, brokers, and insurers settled down into performing traditional and profitable functions as middlemen for intra-European and intercontinental trades. In that role (which they continued to perform with commendable efficiency) the Dutch enjoyed preference over their British and French competitors from their former Habsburg rulers – who continued to need ships and mercantile services from the Low Countries to exploit their imperial possessions and assets overseas (Israel (1982)).

To sum up: in their long struggle against the Iberians, the Dutch forged, retained and reinforced a Protestant identity and became aggressively competitive towards their Catholic foes (and *mutatis mutandis* to other rivals and enemies as well). Politically they acquired self-government and some measure of autonomy in international relations. Economically they continued to pursue a traditional 'Netherlandish' role, as middlemen, in intra-European trade. In global commerce (and as a colonizing nation) over the years the Dutch retained ties with and commitments to the Habsburg Empire – despite religious antipathy and political hostility. Like an errant child asserting independence, the 'Netherlanders' never relinquished the lucrative role as carriers, bankers, organisers, insurers, and maritime entrepôts that first Bruges, then Antwerp and, later Amsterdam and its satellite towns had long played in Iberia's trade and imperial projects in Europe, Asia, Africa, and the Americas (Braudel (1984)).

Although Philip II married Mary Tudor, that dynastic union did not survive her death. When it came on stream English mercantilism and imperialism was not directed at acquiring political autonomy or space for profitable activities within a European wide Habsburg empire with provinces overseas. Before the eighteenth century London and other English ports had rarely competed seriously with Bruges, Antwerp and Amsterdam (or even Hamburg) to become the entrepôt for intra-European trade. From its early beginnings in the reign of Elizabeth, English oceanic trade and imperialism looks altogether more endogeneous and autonomous compared to the Dutch Republic. England remained delinked from the great conflicts of the Reformation and from relentless decades of warfare between Spain and France. Since for more than a century they could not compete with their Dutch counterparts in European waters and they lacked the naval power to mount frontal attacks on the Spanish and Portuguese empires overseas. English ships roamed the oceans in search of niches and new markets to trade. Venture capitalists as well as migrants from the nation's growing underclass and Celtic fringes looked to sparsely populated islands in the Caribbean or territories on the ostensibly inhospitable mainland of North America for colonization and settlement (Canny (1998)). Although the United Provinces and Britain both invested heavily in overseas trade and colonization, for a long time the commitment of the smaller economy to the development of commerce beyond the borders of the Republic loomed larger in the Dutch development. Furthermore, the Stuart kingdom's detachment from power politics on the mainland and coming last to Europe's imperial project in Asia and the Americas left British merchants and their aristocratic rulers with opportunities to devise a strategy and build up comparative advantages that evaded Europe's dynastic and religious conflicts until 'their' state and the local economy possessed the power and the resources to confront Portugal, Spain, France, and above all the Dutch Republic with more aggressive mercantilistic policies (Braddick (1998) and Conquest (1985)).

After 1648 the Cromwellian and Stuart state (from time to time, in alliance with the Bourbons) attempted through commercial and strategic policy to weaken the position of primacy that the United Provinces had assumed in intra-European trade and intercontinental commerce for several decades after the Peace of Westphalia. That famous treaty not only marked the close of thirty years of European conflict and religion, but brought to an end eight decades of intermittent (but costly) warfare between the Republic and its malign, familial and patriarchal enemy. When Spain finally gave up trying to retake the lost provinces of the Habsburg Empire and retired from the long quest for political hegemony in Europe, for a brief moment the Dutch seemed set to secure and enjoy the profits that they were by then so manifestly accumulating from servicing European and intercontinental commerce. Alas, their success became not merely 'embarrassing' (as Schama suggested) but provocative (Schama (1987)). Their position certainly excited French hostility and English envy. Their rivals imposed tariffs, navigation acts and other restraints on trade designed to shift the gains from servicing world commerce into the coffers of English and French merchants, bankers, insurers, shippers, and commodity brokers. They sought to move the locus of these profitable activities from Amsterdam to London and Paris. Between 1652 and 1674 (at no small cost) the Dutch Republic held its own in three wars against England (1652-1654, 1665-1667 and 1672-1674) and (with help from Spain and Austria) repelled a seriously hostile invasion by the armies of Louis XIV, 1672-1674 (Jones (1996)).

Fortunately the Anglo-French entente did not survive the final demise of the Stuart dynasty and the (1688) coup d'état by a Prince of the House of Orange. After that Glorious Revolution, statesmen and strategic thinkers in London recognised that England's most serious enemy in the competition for trade and empire overseas was no longer the United Provinces, but France (Stone (1994)). It then took seven wars between 1689 and 1815 (the second Hundred Years' War against Bourbon and Napoleonic France) to settle the matter (Crouzet (1996)). Unavoidably the United Provinces became involved in all but one of these conflicts. (In the Seven Years War, 1756-1763, the Republic managed to maintain an uneasy neutrality.) Before that its navy and army fought alongside the English forces in the wars of 1689-1697, 1702-1713, 1740-1748, but were allied with French forces in the American War of Independence (1780-1784), the Revolutionary War (1793-1802) and the Napoleonic War (1803-1813).

Although the economic consequences for the Republic of its alliances with France in the three wars fought against Britain are regarded by historians as disastrous for the Dutch economy, nevertheless the benefits from participation in the three earlier wars (on the winning side as an ally of England) are also difficult to represent as positive for the republic's long-term development. King William's War 1689-1697 and the War for Spanish Succession can be depicted as necessary for the preservation of the Republic against potential takeover by Louis XIV. Nevertheless, the course and outcomes of both wars as well as the War of Austrian Succession (which followed in the 1740s) all eroded Dutch positions of hegemony acquired by Amsterdam and the other Dutch towns in supplying shipping, mercantile services, financial intermediation, marine insurance, commodity brokerage, storage, and other functions performed as Europe's leading entrepôt for international and intercontinental trade (Israel (1989)).

To an extent, some loss of competitive advantage became inevitable once the French monarchy (advised by Colbert) and English state (under Cromwell) became proactive in implementing mercantilist strategies to promote the economic interests of their own national economies. Although increased British and French investment in trade, maritime bases and territorial colonization overseas may initially have expanded opportunities for Dutch middlemen, at the same time both states made more effective efforts than their Iberian predecessors to reserve opportunities, employment and profits for their own nationals. Within expanding British and French networks for trade and empires of dominion overseas, Dutch enterprise ran into increasingly efficient competition and more aggressive policies for exclusion than previous generations of merchants had endured even during those decades of vicious armed conflict with the Portuguese and Habsburg empires (Wallerstein (1980)). After the Peace of the Pyrenees (1659) when Spain finally retired from its long struggle with France and England's republican interregnum gave way to the restoration of an aggressive monarchical and aristocratic regime the geopolitical conditions surrounding Dutch commerce and colonization overseas changed in ways that started to undermine the position of primacy that the Republic had so painfully acquired between 1585 and 1648 (McKay and Scott (1983)).

Confronted often simultaneously with the hostility of two major European powers, the Republic's fiscal, military and naval performance in three wars fought against England (1652-1654, 1665-1667 and 1672-1674, and in dealing with an invasion by Louis XIV's troops in 1674), looks remarkable. Ironically, assistance from Austria and Spain helped to preserve territorial integrity of the Netherlands (including the United Provinces). Despite the loss of Taiwan and the emergence of a French East India Company the VOC continued to extend its monopolistic powers over European trades with Asia, largely at the expense of the Portuguese (Glamman (1958)). Nevertheless, Dutch access to major markets in north western Europe and to the colonial markets of England and France in the Caribbean and North America had been effectively curtailed. New York and forts off the Atlantic coast of Africa had been lost and in 1674 the Dutch West India Company declared bankruptcy (Emmer (1998b)).

Just a few years later the Republic waged an expensive *guerre de commerce* against Denmark to protect its still considerable stake in Baltic trades and engaged in tariff wars with France and the Southern Netherlands. There then followed two further but more relentless, protracted and costly wars in which the territorial integrity as well as European and worldwide economic interests of the United Provinces came under sustained and serious threat from the forces of France and after 1702 from Bourbon France united with Bourbon Spain. In these conflicts Dutch diplomatic and strategic aims sought first and foremost to protect the republic's vulnerable borders with France and the Spanish Netherlands and secondly to maintain established positions of access to markets and sources of supply in Europe, Asia, Africa, and the Americas (Holsti (1991)). In an uneasy alliance with England (its major competitor for the gains from global commerce) and at great cost, the Republic successfully maintained its independence and secured international recognition for its established rights to blockade the Scheldt in order to prevent the revival of Antwerp and the Southern Netherlands as Europe's entrepôt for world trade. Nevertheless, when the powers (France, Britain, Austria, and the United Provinces and Savoy) signed the Treaty of Utrecht (1713) – a treaty which marked the turning point in nearly a half century of armed aggression and unarmed mercantilist conflict between the United Provinces and the expansionist France of Louis XIV – it was apparent that the Republic's position in intra-European and intercontinental commerce had been seriously degraded. By then it also looked vulnerable to mercantilistic attacks from several other governments engaged in state formation and the construction of fiscal bases required to engage in power politics (Tilly (1990)).

Meanwhile the home markets of France and Britain and their colonies continued to be highly protected. But almost everywhere in Europe the navigation and other legislation shifted demand from Dutch shipping, insurance, entrepôt services, financial and other forms of intermediation towards nationally owned firms. By the end of King Williams War (1689-1697) France has emerged as the leading naval and mercantile power for Mediterranean trades, and it retained that position for most of the eighteenth century. Although a Grand Alliance of European States had prevented union of the French and Spanish crowns and transferred control over the Southern Netherlands to Austria, the Treaty of Utrecht (which allowed the Bourbon claimant to the Habsburg throne to rule Spain and its empire) signified the end of any special economic relationship between the Republic and Spain and Bourbon possessions in the Americas and Asia (Horn (1967)). Traditional networks and privileges disrupted by warfare with France (allied with Spain) over the Spanish succession (1702-1713) were never reconstructed. French and Franco-Spanish attacks on the Dutch shipping and fishing fleets in wartime severely depleted the supply of vessels and the shipbuilding capacity available to provide transportation services for world commerce. In both wars, unresolved tensions appeared within the Anglo-Dutch alliance over trade with enemy powers. Understandably (since they had far more to lose), Dutch merchants and shippers wished to carry on trading with France and Spain and their overseas empires by whatever means they found feasible and despite the state of war that existed between their governments. England's policy was to deploy naval and military power to interdict, and disrupt and confiscate all forms of foreign and colonial commerce that its enemies attempted to conduct in times of war. As thoroughgoing mercantilists, English ministers and admirals were not sympathetic towards Dutch 'duplicity' when it came to waging economic warfare (Jones (1980)).

During negotiations for peace at Utrecht in 1712-1713, British diplomats saw to it that the Royal Navy retained Mediterranean bases at Gibraltar and Minorca and the sole right (*asiento*) for English merchants to sell slaves to the Spanish Bourbon empire in South America. Long before that (since 1661), perfidious Albion had also been building its own 'special relationship' with Portugal and its overseas empire in Asia and Brazil. Privileged access (traded for responsibilities to prop up the vulnerable Portuguese empire against future attacks by Spain or France or the Dutch Republic) had already been ratified by the Methuen Treaty of 1703 (Black (1991)). At Utrecht their Dutch 'allies' also resented the way British ministers had negotiated a bilateral and favourable deal with France, but surely recognised that the interests of the two economies had become divergent and competitive.

4 FISCAL STATES AND THEIR NAVIES

Over the next century (1713-1815), and as Britain's trade with Europe declined in relative significance, its challenge (which paradoxically originated with that prototypical Protestant Cromwell) to the position of primacy held by the United Provinces as Europe's major entrepôt for intercontinental trade, shipping and finance matured inexorably towards supremacy. No consensus has yet emerged concerning the when, where and why Dutch economic decline set in. Although data for global commodity trade, capital flows, transportation, mercantile and financial services are not available to quantify and track it, there can be no gainsaying the massive volume of historical evidence for the relative decline of the Republic compared to the Hanoverian realm in almost every sphere of international commerce, yet that trend persisted for several decades before the mechanization of British industry. Indeed at the Congress of Vienna and after an invasion followed by two decades of occupation by the armies of Revolutionary and Napoleonic France (1795-1813), Castlereagh persuaded the powers to reconstitute a kingdom of the Netherlands. He returned former Dutch colonies in South East Asia and the Caribbean to the House of Orange – confident that centuries of economic rivalry between Britain and Holland (London and Amsterdam) had virtually receded into history (Webster (1931)). Perhaps the clear collapse of Dutch commerce following the take over of the Republic by France could be represented as yet another and non avoidable disaster flowing from the French Revolution (Aerts and Crouzet (1990)). Nevertheless, questions about the persistence of *relative* decline from say 1713, down to that brief 'Batavian' opportunity for constitutional and fiscal reform after its equally unfortunate diplomatic and naval performance during the American War of Independence, is interesting to contemplate.

Any analysis of why national economies decline (in absolute or relative terms) is seriously underspecified without some prior elaboration of the reasons behind their rise (Clarke and Trebilcock (1997)). But it is not necessary to repeat the argument (outlined above) that the sudden emergence of the Dutch Republic to a position of primacy in intra-European and intercontinental commerce between 1585 and 1648 depended fundamentally upon the geopolitical position traditionally occupied by merchants of the Low Countries as provinces of the Burgundian Dominions, and after 1514, as parts of an expanding Habsburg Empire. In peace and war, through the tribulations of Reformation and Counter Reformation, as province or autonomous Republic, fluctuations and trends in Dutch long distance trade and commerce remained linked to the fortunes of Iberian, Portuguese as well as Habsburg empires in Europe, the Americas and Asia. With impressive courage, skill and tenacity the armies, navies, statesmen, farmers, manufacturers, and merchants of the Dutch Republic obtained the power and security required to construct, defend and develop a prosperous, commercial and industrial market economy in the Northern Netherlands, despite an omnipresent risk of reincorporation into the Spanish empire. Fortunately that persistent threat to the integrity of the Republic and its economic interests overseas was seriously attenuated by the titanic power struggle pursued by Spain against France – which continued off and on for most of the century after the Revolt of 1572, and, in intensified form throughout the great Franco-Spanish War of 1635-1659 (Kennedy (1988)). When Spain retired exhausted from the fray after the Peace of the Pyrenees (1659) the frontiers of the Southern Netherlands and the United Provinces were left virtually defenceless against the territorial, mercantilist and imperialistic ambitions of Louis XIV and Colbert.

Confronted with enmity from France and the envy of England, as well as sporadic depredations from Denmark and Sweden on its trade with the Baltic, the Republic continued to allocate high proportions of its national income to the defence of its vulnerable borders and to the protection of its commerce and capital invested in bases, territories and trading networks overseas. Between 1659 and 1713 that conjoined public and private investment, preserved the nation's independence, maintained its leading position in European commerce with Asia but secured nothing other than an entirely modest share of Europe's most rapidly expanding trades with the Americas. Furthermore, challenges to established Dutch positions in trades with the Baltic, the Mediterranean, the White Sea, with France and England and the rest of Europe had of best been contained. Thus, in the sphere of global commerce an overall impression of relative decline, coupled with rapidly rising taxation looks clear enough. For example, real tax burdens per capita in Holland doubled between 1659 and 1713 when the province's outstanding debt reached 310 million guilders (compared with some 130 million guilders at the Peace of the Pyrenees) (De Vries and van der Woude (1997) and Fritschy (1990)). By the end of the costly war for the Spanish Succession (when interest rates jumped to 6%) debt servicing obligations already absorbed nearly all the ordinary tax revenues collected in Holland. Similarly high debt servicing ratios severely constrained the capacities of all the United Provinces and the Estates General when it came to allocating tax revenues to anything other than unavoidable interest and amortization payments on public debts that had accumulated war after war since the foundation of the Republic ('t Hart (1999)).

No fiscal crisis of the state of the kind that led the Regency in France into a massive repudiation of debt largely incurred during the profligate reign of Louis XIV afflicted the Dutch Confederation (Hoffman and Norberg (1994)). Nevertheless its fiscal capacity to mobilize resources for the defence of frontiers and to protect (let alone expand) its assets and positions overseas had been severely diminished by the recurrent and accumulated costs incurred since 1585 to maintain independence and to participate (albeit with success) in intra European trade and in intercontinental commerce and colonization.

Earlier Spanish and later French aggression had demonstrated time and again that perceived constraints on the collective will and capacity to fund and provide for armed forces required to preserve the security of the Republic could often be circumvented. Furthermore, and under duress during the French occupation from 1795 till 1813, citizens, owners and workers of the Dutch economy were somehow 'compelled' to 'disgorge' tax revenues, indemnities and forced loans in annual amounts that could only have been regarded as unthinkable by statesmen of the golden age, and utopian by their successors confronting the continued challenges from French enmity and English rivalry after 1713 (Fritschy (1988)). Yet, at the end of the Republic's struggle against Louis XIV, Dutch statesmen perceived themselves to be presiding over an exhausted fiscal base for taxation, contractually responsible for servicing and amortizing an enormous public debt that absorbed huge proportions of the tax revenues otherwise at their disposal; and frustrated by a fiscal constitution that placed strong political limitations upon any room for improvement, let alone serious reform ('t Hart (1999) and de Jong (1997)).

Compared to England that perception looks realistic and for the Government of the United Provinces represented a serious cause for concern. After the Restoration (1660) the English state gradually reformed the fiscal system and constructed a more centralized and efficient bureaucracy for the assessment and collection of taxes than any other government in Europe. Structurally, the composition of total revenue shifted in favour of indirect taxes levied on imports and domestically produced goods and services. Statistically, the proportions of total receipts from traditional taxes on income and wealth declined and the share from customs and excise duties (particularly the latter) went up sharply. Semi-professional departments of state became responsible for the enforcement of universally applicable laws related to the assessment and collection of excise duties and tariffs in England and Wales and also in Scotland – when that 'province' became part of a fiscally United Kingdom in 1707 (O'Brien and Hunt (2000)). Taxes imposed directly on incomes and wealth continued to be applied universally everywhere and to all British citizens. But these traditionally contentious impositions remained however, under the supervision of local gentry, acting as commissioners for taxes. For example, they administered the most important of the state's range of direct taxes – the land tax which they levied upon stereotyped valuations of real property collected as county (and intra county) quotas which had remained virtually fixed for centuries (Brand (1793)). During and after the English civil war, and as the state widened its net to include an extended range of goods and services manufactured within the realm (as well as imports), public revenues went up and up. Furthermore, compliance with central government demands for funds became less difficult to secure because indirect forms of taxation (which emerged in the form of higher prices) aroused less contention than the widespread and often inequitable assessments imposed upon households, regions and categories of income and wealth by royal and/or parliamentary regimes throughout early modern Europe (Bonney (1995)). In England clear rules for assessment universally applied by employees of government supervised by commissioners reporting to the Treasury in London helped to reduce resistance and evasion. Meanwhile the termination of privatized systems for the collection of taxes narrowed the gap between taxes assessed and collected on the one hand and the annual income available for expenditures by central government on the other (Braddick (1996)). Britain became virtually the first state in Europe to enforce rules for universal taxation more or less efficiently and to abolish private enterprise and private property rights in the assessment and collection of indirect taxes for purposes of central government.

As a source of serious political contention direct taxation virtually disappeared until Pitt introduced income tax at a moment of dire emergency in the war against France in 1799. Meanwhile the extraordinary rapid expansion in the tax revenues available to the British state (total receipts multiplied by a factor of fifteen between 1688 and 1815) emanated overwhelmingly from the elevation of tax rates and the extension of taxes to an ever widening range of goods and services produced, imported and consumed within the realm. Part of the success of the British state in garnering revenues and utilizing the increase in (and stability of) public income from taxation to borrow money and accumulate massive amounts of debt for purposes of war must be attributed to the development of the economy. Nevertheless the fiscal and (contingent) financial achievements of the Hanoverian state cannot be represented as a simple function of an expanding fiscal base because the *share* of the national income appropriated in the form of taxation roughly trebled between the accession of the Orange monarch and Wellington's final victory at Waterloo. Over that same era (which marks the rise of the United Kingdom and the relative decline of the United Provinces), the former's national debt accumulated from a fraction (roughly 14%) in the region of James II to some 2.5 times the national income for 1820 (O'Brien (1988)).

Of course the growth, diversification and concentration of the national product in towns provided the Hanoverian state with opportunities to widen and deepen its fiscal base. Nevertheless its manifest fiscal success resides above all in: (a) securing a far greater degree of compliance with ever growing demands for revenue than any previous regime had managed to secure from a traditionally recalcitrant and potentially rebellious body of taxpayers; (b) the consistent and relatively effective enforcement of the principle of universal liability for taxes direct and indirect alike upon the regions, towns, villages, local economies, and households of the kingdom; (c) maintaining narrow differentials between the total amounts of taxes assessed and collected on the one hand and transferred to central government for funding expenditures decided upon by Ministers of the Crown and ratified (usually without any opposition) by 'loyal' Parliaments on the other (O'Brien (1993)).

Nothing approximating to such favourable political and fiscal opportunities for the appropriation and allocation of revenues for the defence of the Republic and its considerable stake in global commerce presented themselves to the Council of the Dutch Estates General, as it formulated policies and implemented strategies to cope with France (the enemy on the borders) and to confront Britain – the persistently aggressive rival for commerce overseas. Already by 1659 high proportions of tax revenues that the Council might otherwise have allocated to strengthen the Dutch army or build up a more powerful navy were transferred to service various categories of public debt. That already serious constraint became tighter over the long reign of Louis XIV when the Republic successfully funded decades of open and cold wars against its enemies principally France, but also from time to time England, Portugal and Spain ('t Hart (1993)).

At the Treaty of Utrecht outstanding public debt amounted to about twice the Republic's national income. At that lull in European power politics, the debt servicing proportion of total tax revenues levied to fund the military and naval forces of the Republic (as well as all other forms of public expenditures undertaken by central, provincial, urban and local organs of governance in the United Provinces) amounted to an unavoidable 60% of total public income. Rates of interest certainly jumped during the War for Spanish Succession but Dutch citizens continued to invest in portfolios of public securities of diverse kinds; serviced by tax revenues earmarked and reserved for that purpose by several layers and levels of government. Nevertheless symptoms of fiscal exhaustion were apparent and emerged clearly in the form of the strategies for retrenchment and fiscal reform persued by the state over several decades between 1713 and 1787 ('t Hart (1999)).

For example, and although the relative tax burdens across national fiscal systems are difficult to measure, contemporary perceptions that Dutch citizens and their economy remained the most highly taxed in Europe have been supported by modern evidence. Before 1689-1713 they certainly collected significantly higher proportions of their national income in the form of taxes and allocated a greater proportion of available tax revenues to debt servicing than England (Fritschy (1990)). After the Anglo-Dutch alliance in the wars against France the differences narrowed but convergence had not occurred. Through Dutch eyes their rival's fiscal base and capacity to accumulate debt must have looked 'underexploited' and simply fortunate because the off shore island had somehow remained 'detached' from European power politics between the reigns of Elizabeth I and William III ('t Hart (1991)).

Furthermore, until after the Civil War both Tudor and Stuart regimes had persisted with unproductive and politically contentious forms of direct taxation and had not made extensive use of the penumbra of indirect taxes (customs and excise and stamp duties) that had successfully raised far larger and higher proportions of total revenue for the Republic. For roughly a century after 1688 Britain followed a Dutch strategy until its fiscal system also began to run into diminishing returns, widespread evasion and serious political resistance. In short the Hanoverian state moved towards fiscal barriers that statesmen who managed the assessment and collection of taxes in the United Provinces had reached by the outbreak of King William's War in 1689 and had definitely breached by 1713 (O'Brien (1993)). Thereafter short of fundamental fiscal (and constitutional reforms) at the end of a 'Golden Age' of economic growth accompanied by rising taxation Dutch statesmen eventually ran out of productive options for raising revenue. Thereafter they could only 'tinker' with a fiscal system that had served the state well between 1585 and 1659. For example they reduced resistance to the proliferation of 'unprogressive' excise duties by exempting ranges of basic foodstuffs or calibrating rates of duty to fall more lightly on the 'necessities' of the urban poor. They raised taxes on the consumption of more affluent citizens, and obtained discerningly higher proportions of revenue in the form of direct taxes by taxing the incomes and wealth of the rich – including the interest they received on their portfolios of public debt. After another French invasion in 1747 and popular attacks on tax farmers, administrative reforms secured greater compliance and achieved greater efficiency in the assessment and collection of excise duties (Fritschy (2000) and 't Hart (1999)).

Improvements in the incidence, composition and administration of taxes certainly assisted the Republic to obtain more revenues but not in amounts that could match the rise of the powerful fiscal state across the North Sea. During the War for Spanish Succession the amount of tax revenue collected in Holland had risen (in real terms) to just over double the total receipts obtained during a brief interlude of peace (from 1669-1671). Thereafter and down to the Patriot Revolution of 1785-1787 that total fluctuated between interludes of war and peace but rarely stood at more than 25% above its relatively high level for 1720 (De Vries and van der Woude (1997) and Fritschy (1990)).

Some kind of limit on the Republic's taxable capacity had apparently been reached following an earlier and pronounced upsurge from the Peace of the Pyrenees to the Treaty of Utrecht. The locus of that fiscal constraint will be difficult to locate or to represent as economically determined for a period of several decades when the United Provinces apparently remained at the apex of Europe's league table for wealth and income per capita. In comparisons with Britain historians are more likely to concentrate attention upon contrasts between a monarchial fiscal constitution (for the centralized bureaucratized assessment and collection of universally applied direct and indirect taxes) and a Republican constitution which across the entire range of fiscal and financial policy allowed seven quasi autonomous provinces (including the cities, towns and villages within these 'estates'), considerable degrees of local and democratic autonomy, not merely in the choice of taxes but in the allocation and management of their revenues as well. Dutch states and even lower levels of government selected, imposed and spent assessed taxes collected within their own borders. States collectively decided (albeit in relation to preordained and inflexible quotas) how to fund Dutch armies for the defence of the Republic and how to pay for other public goods (of benefit to *all* the people of the United Provinces (Price (1994) and ’t Hart (1993)).

Separate arrangements operated to fund and manage the Republic’s navy – through the proceeds of customs duties levied by five separate admiralties located to assess the cargoes of merchant ships sailing into and from the ports of Amsterdam, Rotterdam, Hoorn, Enkhuizen, Middelburg, and Harlingen (Israel (1995)). The Republics ‘decentralized’ fiscal constitution embodied a heritage of rights acquired and defended by its provinces, towns and villages as parts of the Burgundian dominions and the Habsburg Empire. Forged at Utrecht in 1579, the constitution embodied traditional politcal arrangements that had, moveover, successfully raised and managed the armed force required to defend Dutch territorial integrity and assets overseas against the power of Spain and France (’t Hart (1989, 1993)). By 1713 a venerable tradition, vested interests and considerable inertia had been built into a system, confronting a determined mercantilistic rival with considerable underexploited potential at its disposal for raising taxes, long-term loans required for warfare which also depended ultimately on its capacity to tax. A path dependent Republic with higher ‘base line’ levels of debt and taxation could not expect to match the fiscal achievements of its rival, nevertheless pertinent questions have been posed about the range and scale of constraints maintained by the Republic’s decentralized fiscal constitution upon the formulation funding of strategic policies that might conceivably have protected the Dutch economy from French invasion in 1747; from unprofitable neutrality during the Seven Years War and its navy from humiliating impotence during the War of 1780-1784 (Van Zanden (1993) and ’t Hart (1993)).

Contemplating that debacle, in 1785-1787, some Dutch Patriots certainly perceived that the need to centralize and universalize taxation and to rationalize and bureaucratize its assessment and collection had become inescapable and urgent. Yet as early as 1716 the Council of State convened the States General to review the exhausted finances of the Generality and to consider the principle, expressed as article 5 of the Union of Utrecht (1579), that the defence of the state be financed by ‘common’ taxes. Thoroughgoing proposals for the reform of the ‘privatized’ administration for the collection of excise taxes failed to materialize between 1748 and 1752. In 1785 ‘in the sorrowful circumstances in which this Republic finds itself since the Anglo-Dutch War’ the States General commissioned an enquiry to deal with long standing complaints from maritime provinces that they carried a grossly disproportionate share of the burden for funding expenditures on the Dutch army and navy (Schama (1975) and de Jong (1997)). Something but nothing radical was done to release the fiscally emasculated Dutch Republic from the constraints of its tax system before root and branch constitutional reforms appeared during the occupation of 1797-1806 and created a centralized modern state (Schama (1977)).

Meanwhile Dutch mercantile enterprise in intra-European (Baltic and Mediterannean) trades and in intercontinental commerce with Asia, Africa and the Americas continued to operate (albeit with moderate success) without anything like the levels of protection, promotion and overall support that their aggressive rivals enjoyed from the Royal Navy (Crowhurst (1977)). Britain's large and increasingly effective battle fleet emerged as the product of consistently high rates of public investment in ships of the line (carrying 60-100 guns designed to engage enemies at sea); cruisers, frigates and sloops (for convoy duty); docks, harbours, bases, stores, and the facilities required for the building, repair and refitting of the State's navy (Glete (1993) and Hornstein (1991)).

During the Civil War (when Cromwell's 'new model navy' destroyed an attempted invasion by Royalist forces from the continent) and thereafter the British Navy functioned as the nation's first line of defence against enemy invasions by sea, as armed protection for the country's commerce against pirates, privateers, and hostile warships; as an intimidating and rapidly mobilized arm for diplomacy and finally as the primacy guardian of the assets, colonies, plantations, forts, bases and trading facilities located all around the world. For long stretches of the eighteenth century (in peace and war alike) public capital formation (needed for the defence of the realm, its foreign trade and national assets located outside Europe) exceeded net private capital formation within the kingdom by discernible margins. Furthermore, expenditures on the navy also remained consistently higher (and more popular with parliament and the public) than expenditures on the army – widely regarded by most Britons as basically unprofitable, corrupt and as a potential threat to their constitutional freedoms (French (1990)).

Meanwhile, and since serious threats came along its vulnerable frontiers with the Southern Netherlands and German princely states, the Dutch Republic allocated far higher (and indeed increasing) proportions of its expenditures on the armed forces to the army. That investment generated smaller benefits, and externalities for foreign trade and investment overseas ('t Hart (1999)). Thus the costs of protection (and aggression) involved in commercial enterprise and colonization in Asia, Africa and the Americas fell to a far greater extent on Dutch companies, investors and businessmen than it did on their heavily subsidized counterparts in Britain for whom the Royal Navy provided both public and private goods; security as well as profit (Blussé and Gaastra (1981) and Emmer (1998)).

Preoccupied with frontiers to the south and east, for several decades Dutch statesmen failed to recognize the longer term economic implications of British investment in sea power. Apart from the serious problems involved in raising taxes to required levels of naval parity with Britain, some of the complacency that undermined serious strategic thinking by Dutch statesmen undoubtedly emanated from the Republic's traditions of efficiency in shipbuilding and shipping and by the commendable performance of the navy in three Anglo-Dutch wars in the seventeenth century (Unger (1978)). As far as the majority of the political nation could see, the Royal Navy possessed no clear advantages in building warships, in nautical skills, in organization, in the technologies and tactics required for success in naval warfare. Nor did it provide superior protection of England's merchant marine (Gardiner (1994)).

Yet over time the consistent priority accorded by the Hanoverian state to the funding of naval power widened the gap both in the scale and the scope of the two navies, a gap which had paradoxically opened up in the reign of England's Dutch King. That difference in rates of investment led to competitive advantages that eventually became overwhelming. For example, the British began to build not only heavier, but also faster ships with more cannon aboard. They overhauled battle tactics to keep the line, to concentrate firepower on broadsides designed to disable their opponent's guns and gunners and to sink rather than capture enemy vessels as prizes for officers and crews (Rodger (1986, 1997)).

Little by way of differentiation has been detected, however, by historians in the skills and qualities of the corps of officers and seamen recruited by the Royal and Dutch Navies. But as British trade, coastal shipping and imperial possessions overseas increased, the pool of experienced seamen available for impressment into the Royal Navy widened and mitigated that common European naval problem of simultaneously maintaining levels of overseas trade and manning battle fleets in wartime. The Dutch Republic funded a smaller navy in peace time and relied more on hiring and converting merchant shipping and recruiting seamen to jack the fleet up to strength in times of conflict. There is, however, no evidence that this rather typical Dutch dependence upon private markets to meet demands for ships and seamen in times of war really worked more efficiently than using the state to build the capacity required to construct and to repair and maintain warships and to impress the seamen required by the Royal Navy to obtain their skills and commitment on the cheap by paying low wages. In short the Dutch Navy could not apparently compensate for its smaller scale by traditional recourse to private enterprise, to free labour markets to the daring individualism associated with de Ruyter and Tromp and by achieving greater gains in efficiency and technological breakthroughs (Bruijn (1993) and Glete (1993)).

On the contrary, the major contrast emphasised by naval historians points to serious inefficiencies in Dutch naval administration that flowed from the absence of co-ordination. Although recommendations for a centrally controlled properly funded navy had been pressed on the Netherlands by Burgundian Dukes, and by Charles V, and later on the United Provinces by de Ruyter and other famous Dutch admirals, the Dutch constitution provided for five autonomous admiralties funded almost entirely (but hardly at adequate or stable levels) by customs duties levied on trade flowing into their ports under their separate jurisdictions. Inland provinces often resisted the allocation of extra revenues to the navy from taxes levied for the Generality. In short the Republic never managed to forge a consensual view or vision for a Dutch Navy. Its role, even in wartime, became subject to explicable (i.e. economically rational) disputes even among the maritime provinces of Holland, Zeeland and Friesland. Pluralistic and self-interested views about strategy and local autonomy led to lapses of co-ordination and to the loss of economies of scale that in Britain came from the centralized purchasing of food, the procurement of weapons and its imposition, and the standardization on the design and construction of ships. And above all on a strategic (aristocratic) vision of how to deploy naval power (Bruijn (1993)).

It is, however, all too easy in comparative history to exaggerate the significance of observed contrasts. Nevertheless the Royal Navy fell under the command of one Admiralty and the First Sea Lord usually sat in cabinet. A British Naval Board supervised the construction and repair of ships in Royal Dockyards and managed contracts with private shipbuilders. A Victualling Board procured provisions and the Board of Ordnance purchased and exercised quality control over cannon for the Navy as well as the Artillery. Of course the organization of any largescale state activity in the eighteenth century looks ramshackle and prone to venality, patronage and corruption (Baugh (1998)). Nevertheless, a priori (and on paper) the organizational structures in place for the deployment of naval power by the British State look altogether better suited to an effective pursuit of mercantilistic and imperialistic objectives than the bourgeois, decentralized and commericalized arrangements preferred by the United Provinces. Not only was the Royal Navy larger and more securely funded it was almost certainly managed with greater efficiency (Black (1998)).

5 CONCLUSIONS

Within a mercantilist economic order and during a particular geopolitical interlude (approx. 1579 – approx. 1659) against all odds the Dutch Republic succeeded in maintaining political independence and built up the power required to seize and hold on to 'extraordinary shares' of the economic gains to be made from intra European and intercontinental trade. With the demise of Spain, the accession of Louis XIV and the 'Restoration' of England, circumstances changed to the disadvantage of the United Provinces. Some degree of relative decline became almost inevitable, but the extent and analysis and evaluation of relative decline remain on our agenda for historical debate.

This essay used the rise of Britain as a point of reference and comparison in order to argue that 'the degree of potentially avoidable decline' had less to do with Dutch inefficiencies in the economic sphere but emanated more essentially from political failures to respond to open and blatant challenges from mercantilistic rivals. In this story retardation flowed essentially from: the weight of tradition, from vested interests and a century or more of stability built into the constitutional arrangements of the United Provinces. The Republic's Burgundian and Habsburg heritage, the astonishing political and economic success of the new nation, the irresolvable conflicts of interest among cities and regions, sectors and industries and groups of merchants led inexorably to inflexibility, conservatism and inertia. A more or less similar pattern of political complacency and decline can be observed in the British response to the challenge from Germany after its unification in 1871 (O'Brien (1999)). Only within stable international orders of the kind that operated in the heyday of the Pax Britannica (1846-1913) and under American hegemony since 1945 could analysis confined to the economic sphere expose anything other than proximate and second order determinants in the rise and decline of nations.

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