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978-0-521-57061-9 - The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500-1815

Jan De Vries and Ad Van Der Woude

Excerpt

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Chapter 1

By way of introduction

In its day – and long after – the world admired the Dutch Republic above all for its economic efficiency and social concord. In 1776, Adam Smith could find no more fitting example than the Republic as “a country that had acquired that full complement of riches which the nature of its soils and climate and its situation with respect to other countries allowed it to acquire.”¹ Smith held that such a state of well-ordered efficiency – the goal of classical economics – had been most nearly achieved in Holland, and this gleaming vision of early prosperity has never since lost its hold on the public imagination.

But just what are the lessons to be learned from this celebrated “Dutch case”? Smith had no doubts, but since his time historical perspective has acted more to complicate than to clarify matters. Historians of varied plumage – Eric Hobsbawm, Fernand Braudel, Violet Barbor, and Immanuel Wallerstein come immediately to mind – felt certain that the Dutch achievement was essentially backward looking, the culmination of something with no future. “The emergence of Amsterdam prolonged the old pattern; took place, logically enough, according to the old rules . . .”² pronounced Braudel, while Hobsbawm warned against the temptation “to exaggerate the ‘modernity’ of the Dutch.” Indeed, “to some extent [the Dutch] did a disservice to industrialization in the long run.”³

Economists have been tempted to see something more positive, and more

¹ Adam Smith, *The Wealth of Nations* (Cannon ed., orig. published 1904, Chicago, 1976). Vol. I, p. 106; see, more generally, pp. 102–8.

² Fernand Braudel, *The Perspective of the World*, Vol. 3: *Civilization and Capitalism, 15th–18th Century* (New York, 1984), p. 175.

³ E. J. Hobsbawm, “The Crisis of the 17th Century – II,” *Past and Present* 6 (1954), p. 54.

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connected to the present, in the economic history of the Dutch Republic. Douglass North and Robert Paul Thomas did not mince words in *The Rise of the Western World*: “In point of fact the Netherlands was the first country to achieve sustained economic growth as we have defined it. . . .”⁴ Nor was Angus Maddison in any doubt about the place of the Netherlands in modern history. “In the past four centuries there have been only three lead countries [defined as the country which operates nearest to the technical frontier, with the highest average labor productivity]. The Netherlands was the top performer until the Napoleonic Wars, when the UK took over. The British lead lasted till around 1890, and the USA has been the lead country since then.”⁵

All of these scholars, and many more, found the “Dutch case” essential for their historical interpretations and social scientific analyses; but they all confronted an historical literature which, for all its richness and variety, had a notable weakness. There were few comprehensive interpretative studies.

A bit of historiography

There are, to be sure, a number of general histories of the economic development of the Netherlands between the late Middle Ages and the early nineteenth century produced by a collection of authors, with each assigned a specific chronological or thematic topic. An example of this approach is offered by *De economische geschiedenis van Nederland* (1977), edited by J. H. van Stuijvenberg. It covers the period in its first five chronologically organized chapters. The thematic approach is employed in *The Dutch Economy in the Golden Age* (1993), edited by Karl Davids and Leo Noordegraaf. Here, no fewer than ten authors treat specialized aspects of Dutch economic history up to 1650. Conceptually rather broader were the chapters devoted to economic history in the *Algemene Geschiedenis der Nederlanden* (1979–81). Here, too, a multitude of authors, in contributions distributed through volumes 4 through 10 of this 15-volume work, presented their understanding of special aspects of the period.

The strengths and weaknesses of such collective works need little elaboration. Alongside the advantage of having each period or topic handled by a specialist stands the considerable disadvantage that each author has his or her own approach and special interests. As the chapters are assembled, omissions and repetition arise, and it is an exceptional editor, indeed, who can harness the authors effectively to a detailed common agenda – let alone impose a coherent vision on the ensemble.

For this, one turns to the monograph written by one or at most two authors. In Dutch economic history, this genre has a much longer history than the collective work. The first such work appeared in 1890: the German Otto Pringsheim’s *Beiträge zur wirtschaftlichen Entwicklungsgeschichte der Vereinigten Niederlande*

⁴ Douglass North and Robert Paul Thomas, *The Rise of the Western World* (Cambridge, 1973), p. 145.

⁵ Angus Maddison, *Dynamic Forces in Capitalist Development* (Oxford, 1991), p. 30.

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im 17. und 18. Jahrhundert. It is really no accident that some forty years later it was once again a German who prepared the next monograph on this subject: Ernst Baasch, *Holländische Wirtschaftsgeschichte* (1927). This reflects both the rudimentary state of this field of study in the Netherlands and the great influence then enjoyed by German historical scholarship.

The leading position of German scholarship then exerted its influence throughout the western world, and it was especially apparent in economic history. But, its great authority in the Netherlands was not based simply on the high professional standards of the German scholars, or even on their superior numbers. To these factors must be added an ideological element. Of the generation of young Dutch historians who were attracted to economic issues, most were involved in the then still young social-democratic movement (the Social Democratic Workers' Party was founded in 1894). G. W. Kernkamp, N. W. Posthumus, and, most intensely, J. G. van Dillen, all of whom rank with Z. W. Sneller as the founding fathers of economic history in the Netherlands, felt themselves very strongly attracted to the ideals of this movement. In this period, Dutch social democracy maintained very close contact with its mighty German sister party. Thus, the young Dutch economic historians found themselves doubly attached to Germany: ideologically, via social democracy, and professionally, because of the great authority of their German academic colleagues. Through the work of Gustav Schmoller, Werner Sombart, and Max Weber, the Dutch scholars came under the influence of *Kathedersozialismus* and the German Historical School.

From the aforementioned works of Pringsheim and Baasch, a direct line runs to J. G. van Dillen, to whom fell the task of writing the first major synthetic study of the economic development of the Netherlands between 1500 and 1800 from a Dutch standpoint. This occurred first in his contributions to the original *Algemene Geschiedenis der Nederlanden*, published in the course of the 1950s, and then in a much fuller form in his posthumous *Van rijkdom en regenten* of 1970. Eighty years after Pringsheim, the first general work of Dutch economic history for the period 1500–1800 had appeared in the Dutch language.

Van Dillen's book was simultaneously a beginning and a conclusion. It provided an overview of his generation's research, inspired as it was by the German Historical School. But well before its publication, after the end of World War II, a new generation of scholars moved decisively in a different direction as Dutch economic history came to be influenced first by French, and later also by American, historical writing. The central figure in all this was B. H. Slicher van Bath. He had entered academic life in 1945 with a study that reflected the influence of his German dissertation director. But thereafter, in his pioneering works *Een samenleving onder spanning. Geschiedenis van het platteland van Overijssel* (1957) and *An Agrarian History of Western Europe, 500–1850* (1960, English trans. 1963), he moved in a direction that had much in common with the innovative French historians, known as the "Annales school," who sought closer contacts with the social sciences. And, again, it was Slicher van Bath who in 1967 brought the American

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“New Economic History” to the attention of Dutch historians. None of these new developments in economic history left more than a faint trace in Van Dillen’s standard reference work.

This book is the product of co-authors – one Dutch, one American – who have set as their goal the establishment of a new synthesis of Dutch economic history to replace the historical tradition that guided this field for nearly a century. With this work we accept the challenge of the modern historical schools; indeed, we even seek to integrate them.

The French historical school, or “Annales school,” advocated a break with “event-centered history,” and with the political and personal focus that necessarily attaches to it. It developed in its stead a more spacious conception of historical time capable of incorporating a broad range of economic, social, mental, and environmental processes. The American New Economic History, or “cliometrics,” challenged the institutional and narrative economic history that found its inspiration and conceptual apparatus in the German historical school. Through its explicit application of economic theory, its systematic use of quantitative data, and its emphasis on hypothesis testing, cliometrics shifted the focus of the literature from politics and institutions to markets and rational decision makers.

In some respects these two movements of renewal complement each other. Where structural history is inclusive and integrative, the new economic history typically concerns itself with specific problems of market performance. Where the French school is conceptually rich but theoretically eclectic, the American school is narrower in focus but theoretically rigorous and formal. These complementary characteristics notwithstanding, the two schools are not commonly combined, and for good reason. The first emphasizes continuity and stability in human affairs while the second by design focuses on the dynamic – analyzing decision making and measuring growth. It is no accident that the French school has made its home in preindustrial European societies while the American school finds the industrializing world of the nineteenth century most congenial.

The authors state their purposes

Structure versus dynamism; broad vision versus analytical rigor. It is precisely these differences in the two schools that invite integration in this book, which presents a new interpretation of the economic history of the Netherlands in the period 1500–1815. The new research of the past generation which we here seek to interpret requires a conceptual framework that can do justice to an economy that was rooted in the early modern world (the special strength of the Annales school) but was pioneering the economic and social forms of behavior and achievement characteristic of the modern economies of the nineteenth and twentieth centuries (the special interest of the New Economic History).

This book, in short, presents the history of the first modern economy. In its first section we present the integrative structures of economic life – geographical,

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demographic, financial, and sociocultural. These structures reveal themselves to be far from static entities; even here the dynamic processes in Dutch economic life are evident. These become far more apparent in the book's second section, where economic change is analyzed sector by sector. The dynamics of this economy – indeed, its essential modernity – comes fully into view in the third, analytical, section, where theory and history come most directly into contact with each other. The organization of the book integrates structure and change but moves progressively from an emphasis on durable forms to processes of change and development.

The questions motivating this book include those of *structure* (how did the parts fit together; what durable features channeled and limited human action?) and of *context* (how did this Dutch economy function in its larger international setting; how did it exemplify or differ from, influence or become subject to, the European and intercontinental worlds with which it interacted?). But the chief questions of this book concern *growth and change*. How did the region that would become the Dutch Republic come to flourish so suddenly, so intensely, and with such great international effect? What can account for this economy's limitations, frustrations, and failures? These twinned questions bring Dutch history into direct confrontation with the major, overarching interpretive projects of western economic history. As we shall see, the experience of the Netherlands stands as a challenge to many historical conventions; with all this we grapple in the two last chapters.

Finally, a word about the beginning and ending dates of this study. The Republic of the United Netherlands, whose history is the focus of this book, took shape as an independent entity in the course of the 1580s. Its demise, in 1795, was more abrupt. But neither of these political dates is of much value for periodization in economic history. Our study begins in the late-fifteenth/early-sixteenth centuries, at the onset of an expansionary era for the European economy as a whole, the so-called *long sixteenth century*. It is in this larger chronological context that the rise of the Dutch economy should be placed.

The selection of an ending date is less clear-cut. Neither the economic trends of the Netherlands, much less those of Europe as a whole, recommend 1795 as a terminal date. The old Republic's successor states rattled and bent but could not break the bars that confined them to an economic regime which, in some respects, lingered on until the mid-nineteenth century. The Netherlands did not really enter its second epoch of modern economic development fully until after 1850, but we do not follow the story that far. The substantially altered institutional setting of the new Kingdom of the Netherlands established in 1815, the new demographic growth that set in after that date, and the break in international price trends (from inflationary to its reverse) that occurred in 1817, all reinforce the end of the "French Period" of Dutch history as a logical as well as practical terminal date for this book.

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Chapter 2

Space and time, structures and conjunctures

2.1. Structures

2.1.1. INTRODUCING GEOGRAPHY

A description of the Dutch Republic's territory – the physical container of the Dutch economy, if you will – is not a straightforward task. This is evident from the terminological confusion that frustrates discussion about the Netherlands as a political entity and from the continual alterations that must be made to the physical map of the northwestern corner of Europe.

At the beginning of the sixteenth century, the territories that would later comprise the United Provinces of the Netherlands (i.e., the Dutch Republic) were not yet all under the control of the Habsburg emperor, Charles V, who had inherited the Netherlands provinces accumulated by the Dukes of Burgundy over the course of two centuries of dynastic politics. Only after 1543, when the Duchy of Gelderland came under Habsburg control, can one speak of a “Burgundian Netherlands” that embraced all of the modern Dutch state plus, of course, Belgium and parts of present-day France.

This assemblage of provinces was by no means centrally governed. Indeed, steps in that direction taken by Philip II after 1555 provoked a particularist resistance of such vehemence that it must count as a major precipitant of the Dutch Revolt. Much remained to be achieved in the way of legal or fiscal unification – not to mention economic unification – before the outbreak of the Revolt rent the Netherlands asunder.

In the course of the Revolt against Spain, the Republic arose – unanticipated and in an ad hoc manner – as a union of seven provinces. We can say that it was

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in existence by 1588, but the achievement of a definitive border dividing the northern Netherlands (the Republic) from the southern Netherlands (the Spanish, and after 1715 the Austrian Netherlands) required decades of further military activity. The fruits of those battles became known during the life of the Republic as the “Generality lands” and were acknowledged to form part of the Republic at the Peace of Westphalia in 1648. From then on, the political boundaries of the Republic remained unchanged until its demise in 1795.

The complex and changing political map of the Netherlands up to 1648 teaches us not to expect an economic history that turns on the directives of a central government, or that is neatly encompassed by the national frontiers. The excess of attention given by historians to the nation-state is often enough a source of error and distortion; in Dutch economic history we have no choice but to look elsewhere for unifying themes. Indeed, we cannot avoid questioning whether the Dutch Republic can be treated as a national economy at all.

In the early sixteenth century, the lands that were to form the Dutch Republic possessed small-scale local and regional economies. Such cohesion as they possessed emanated from towns and their particularist municipal economic policies. These miniature economic systems were, in turn, oriented to a larger, international economy, which had its most important northern European focal point at Antwerp and the other commercial and industrial centers of Brabant and Flanders.

During the Revolt of the Netherlands, this economic structure, already in retreat, came crashing down in ruins. These dramatic events will be given fuller attention in Chapter 9; for now it is important to note that the emergence of the Dutch Republic as a political entity occurred in parallel with a profound economic reorientation of these provinces. Economic links with the southern Netherlands were by no means broken, but they ceased to have either the importance or the character of earlier times. Meanwhile, the Republic’s economic life came more and more to reach out in other directions: to the North Sea and Baltic, the White Sea and Davis Strait, Iberia and the Mediterranean, the East and West Indies.

An economic history of the Dutch Republic must emphasize its European and, indeed, its world setting, noting how both its political and economic orientation changed over time. But that is not all that was in motion. The physical features of the northern Netherlands also exhibited a dynamism that is both unusual and fascinating.

It is by now a commonplace of historical analysis to emphasize the role played by the geographical characteristics of a country as an “historical structure” – durable if not permanent features that constrain and channel human activity and thus help to determine the course of history by limiting human options. Yet in Dutch history, geography is a “structure” of unusual plasticity. The land visited by the Romans differed (in, among other things, its coastline, river courses, and soil elevation) from the birthplace of Erasmus, which, in turn, would have appeared unusual in many ways to the King-Stadhouder Willem III. Here the phys-