

## ***Marxism and the 'Dutch miracle'***

The Dutch Republic and the transition debate

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*Abstract: The Dutch Republic holds a marginal position in the debate on the transition from feudalism to capitalism, despite its significance in the early phases of the development of the capitalist system. However, several influential participants in this debate did present their views on the Dutch case. Although covering a wide range of opinions, stretching from acceptance of the Dutch Republic as an early form of capitalism to a complete rejection of this case, all major Marxists involved basically accept an image of Dutch early-modern society that is commercialization-driven. Their shared interpretation of the Dutch 'Golden Age', this article argues, goes back to Adam Smith rather than Karl Marx. The article further suggests that recent trends in Dutch economic history fit remarkably well with Marx's general remarks on the subject in Capital I and III. Finally, the article notes some of the implications of the Dutch case for the wider transition debate.*

## *Introduction\**

Looking at the many group-portraits of the Dutch seventeenth century elite, an element of recognition is too strong to shake off easily.<sup>1</sup> The piercing gazes of the regents in their stern black costumes hint at ways of thinking, modes of reasoning, perhaps even a fundamental logic that is shared by their present-day counterparts. Whether exercising control over the quality of textile production, administering an orphanage or overseeing an almshouse, the core business of those men and women was making money. Rembrandt's 'staalmeesters', the syndics of the cloth-makers guild, are bent over the account book they were discussing just a moment before the audacious spectator forced them to temporarily cease their business. Simply on the basis of its art, many people will agree with the Dutch historian Huizinga who described 'Dutch civilisation of the seventeenth century' as thoroughly bourgeois.<sup>2</sup>

However, the question whether the social structures underpinning this culture were capitalist or merely highly urbanised and 'bürgerlich' remains hotly disputed. For some, this archetypical bourgeois state with its wealth, its global aspirations and military strength out of all proportion to its size represents the first real breakthrough of the capitalist mode of production. On the other side, there are those who see the

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\* The names given to the area that today comprises the Netherlands are cause for some confusion. In early modern times, 'the Netherlands' and 'Low Countries' were used both for present-day Belgium (the Southern Netherlands or Southern Low Countries) and the Netherlands (the Northern Netherlands or Northern Low Countries). These areas did not form a nation, but a collection of provinces. Holland was one of those provinces, in the North West, as was Flanders in the South. The name Holland is often used to describe the whole of the present day Netherlands (as by Marx in many of the here quoted passages), but strictly speaking, this is wrong. After the Revolt against Spain, the Southern Netherlands remained part of the Habsburg empire, while the Northern Netherlands formed a state, alternatively called the Dutch Republic or the United Provinces.

<sup>1</sup> My friend John Molyneux was the 'outsider' who helped me to view those portraits that I had seen so many times in a new way, and I would heartily advise those interested in the artistic side of the argument to read Molyneux 2001. I would like to thank Bas van Bavel, Neil Davidson, Chris Harman, Marjolein 't Hart and Maina van der Zwan for their remarks and criticisms on earlier drafts of this article, first presented as a paper at the Fifth Historical Materialism Annual Conference in London, November 2008.

<sup>2</sup> Huizinga 1941, p. 62.

United Provinces at best as a preliminary stage to real capitalist development – a prime example of a failed transition to industrial society<sup>3</sup> and at best a detour in the process of capitalist state formation.<sup>4</sup> Non-Marxist and Marxist historians can be found on either side of this debate. The main focus in this article will be on the latter, but of course, there is a high level of mutual influence between the two groups.<sup>5</sup>

On a first glance, it seems that both positions can be traced back to Marx. In the first volume of *Capital*, Marx famously described Holland as ‘the head capitalistic nation of the 17<sup>th</sup> century’.<sup>6</sup> But this description seems to be contradicted by his later remarks in the third volume of *Capital*, where he stresses the limits of societies dominated by merchant capitalism. ‘In the stages that preceded capitalist society, it was trade that prevailed over industry; in modern society it is the reverse.’<sup>7</sup> Accordingly, his judgement on the extent to which the Dutch Republic reached the stage of capitalism seems more negative: ‘The history of Holland’s decline as the dominant trading nation is the history of the subordination of commercial capital to industrial capital.’<sup>8</sup>

Within the wider debate on the transition from feudalism to capitalism, the Dutch Republic occupies a marginal position at best.<sup>9</sup> But even so, the position taken by different authors often only in passing and based on very general perceptions of Dutch history, is of some significance for their overall views on the rise of capitalism. The Dutch Republic is the obvious contender to Britain in producing the first ‘really

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<sup>3</sup> As was the title of a conference in the early 70s, the proceedings of which have been published in Krantz and Hohenberg 1975.

<sup>4</sup> Lachmann 2002, p. 147.

<sup>5</sup> For some influential non-Marxists who treat the Dutch Republic as a ‘modern’ phenomena, see North and Thomas 1973, Kennedy 1989 and De Vries and Van der Woude 1997. For two recent studies taking the opposite view, see Lachmann 2002 and Adams 2005.

<sup>6</sup> Marx [1867], p. 704.

<sup>7</sup> Marx 1991, p. 448.

<sup>8</sup> Marx 1991, p. 451.

<sup>9</sup> For the classical positions in the ‘transition debate’, see the various contributions in Hilton 1976 and Aston and Philpin 1985. For an overview of the (very limited) Dutch Marxist historiography on the early modern period, see Van der Linden 1997.

existing capitalist country' - admittedly a rather dubious historical merit. Rejecting or accepting this case therefore tells us something important on the supposed uniqueness of British experience. Given that much of this debate has been cast as a discussion on 'why Britain succeeded where the rest failed', the Dutch case becomes an important point for corroboration.

The aim of this article is threefold. First, it is to locate the debate between Marxists on the Dutch Republic within the wider transition debate. Secondly, I will show that the image of 'the Dutch economic miracle' of the seventeenth century shared by Marxists on either side of this debate is based on a particular interpretation of Dutch history, popularised by many twentieth century historians, which has its origins in *The Wealth of Nations* rather than *Capital*. Thirdly, I will propose an alternative for this interpretation that bases itself on more recent Dutch economic historiography, but also allows for a reappraisal of Marx's comments on this subject.

Central to the alternative narrative laid out in the second half of this article is the 'urban agrarian symbiosis' that arose in the course of the late medieval period. This particular interrelationship was the founding stone of Dutch success in the seventeenth century 'Golden Age'. It was based primarily on a transformation of the relations of production, not on the expansion of international trade. But it did allow the Netherlands, particularly after the revolt against the Spanish Habsburgs and the establishment of the Dutch Republic, to profit from this expansion in a qualitatively different way than previous trading empires had done. Although this basis was not sufficient for the Netherlands to complete the transition to industrial capitalism in its own right, the process of 'original accumulation' within the Dutch Republic did become a contributing factor to the final and more definitive breakthrough of capitalism elsewhere.

### *The Dutch Republic in the transition debate*

The theoretical bedrock of the transition debate remains Marx's famous last part of *Capital I* on 'original accumulation'. Here, he set out to provide the elements for a 'pre-history' of modern, industrial capitalism. With Adam Smith, Marx believed that in order to explain the origins of capitalism it was necessary to suppose a stage preceding capitalist accumulation, 'an accumulation not the result of the capitalist mode of production, but its starting-point'. Unlike Smith, however, he stressed that the crucial aspect of this original accumulation lay not in the amassment of wealth per se or a simple quantitative growth of market relations, but in a twofold process in which the direct producers were separated from the means of production and became wage labourers, while the control over the means of production was accumulated in the hands of the capitalists. Here, the historical investigations fit in with the great overriding theoretical aim of *Capital*, which was to descend from the 'fetishised' exchange relations dominating the everyday appearance of the system to the underlying process of exploitation at the point of production on which the whole structure of class society is built.

It is therefore not surprising that most of Marx's exposition on the pre-history of industrial society is focussed on the transformation in agriculture, which formed the dominant sector of the economy in all pre-capitalist societies. But Marx did not ignore the fact that historically, the transformation of agricultural production was accompanied by a whole number of other phenomena, ranging from the European 'discovery', conquest and plunder of the non-European world and the transatlantic slave trade to the political emancipation of the bourgeoisie and the rise of the modern

state system. There are even many places where he calls those phenomena 'decisive' for the transition to capitalism.

Marx's exposition was far too general and sketchy to provide a clear answer to the question how all those elements relate to each other, and how much weight should be given to each of them. Moreover, the knowledge about late medieval and early modern societies that was available during Marx's lifetime was much smaller than it is now. Much of his description seems either contradictory or simply incomplete, and based on his observations widely diverging views of the transition from feudalism to capitalism have emerged. The ensuing 'transition debate' has developed through several stages in the course of the past century. It is a debate of an immense scope, covering almost thousand years from around 1000 AD up to 1900 or beyond, and encompassing a geographical space that includes at least Europe and its colonies, but if we account for the questions raised so poignantly by Pomerantz's *The Great Divergence*, potentially encompasses the whole world. However, a much more narrow approach to this debate is current, which takes as its starting point the question how capitalism could develop in certain specific parts of the world. Since everyone can agree that the transition towards industrial capitalism first took place in Britain, this often takes the form of a debate on 'Why Britain succeeded while the rest failed'.

The position taken by different Marxist historians on the Dutch Republic is roughly correlated to the two great alternative strands in the transition debate. The first argues that the rise of capitalism was primarily driven by the expansion of trade, leading to the dissolution of feudal relations 'from the outside' and transforming the social structure in turn. The second focuses on the less visible and spectacular, but ultimately more profound, changes that took place at the point of production. Among

this latter group probably the most eminent today are those who, following Robert Brenner, argue that the main changes leading to the transition to capitalism took place in what they call the 'social property relations' in agriculture.

It will come as no surprise that the most enthusiast endorsement of the Dutch Republic as a capitalist state has come from those like Immanuel Wallerstein who are firmly on the 'commercialisation' side of the discussion. For Wallerstein, the rise of the Dutch coincided with the real breakthrough of the Modern World System in the sixteenth century. The motor of both processes was the expansion of European trade, accelerated by the subjection of the Americas. The United Provinces, freeing themselves from the grip of the Habsburg Empire during the Eighty Years War (1568-1648), could build on their previously conquered strong position in the Baltic trade. From there, they established a trading empire that provided them with the wealth needed to keep their position at the top of the European hierarchy during the remainder of the seventeenth century 'Golden Age'.<sup>10</sup>

Admittedly, Wallerstein does accord production an important role in his account of the strength of the Republic. He even makes the assertion that 'success in mercantilist competition was primarily a function of productive efficiency and that the *middle-run* objective of all mercantilist state policies was the increase of overall efficiency in the sphere of production.'<sup>11</sup> He proceeds to trace this efficiency in both Dutch agriculture and manufacture. Nevertheless, the rosy picture of Dutch productive development still ultimately stems from the primacy that Wallerstein gives to trade. For him, modern capitalism arrives on the scene in the sixteenth century bearing all its mature features, and the differences between the consecutive phases of hegemony are quantitative rather than qualitative. Production, both for early

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<sup>10</sup> Wallerstein 1980, p. 46.

<sup>11</sup> Wallerstein 1980, p. 38.

modern and for late capitalist hegemons, is primarily a tool for domination in the process of unequal exchange with their peripheries.

More recently, Giovanni Arrighi has pushed this model still further away from questions concerning production. His account of the 'Dutch Systemic Cycle of Accumulation' puts even more stress on the commercial nature of Dutch hegemony, which he extends well into the 1740's.<sup>12</sup> For Arrighi, it was the superior banking techniques at the Amsterdam Bourse that made sure that 'the upper strata of the Dutch merchant class remained the leaders and governors of the European capitalist engine. Throughout this period, the Amsterdam Bourse remained the central regulatory mechanism through which idle capital was rerouted towards new trade ventures'.<sup>13</sup>

Against those trade- and finance-centred accounts stand those who look for the origins of capitalism primarily in the sphere of production. In the main, this has led them to very different views on the place of the Dutch Republic in European history. Of course, they as well allow for some important elements of capitalist production evolving in the Low Countries (comprising the medieval Flemish and Brabant centres of trade and production as well as the Northern Netherlands). However, writers like Maurice Dobb tended to see the subordination of production to trade as an insurmountable barrier to capitalist growth beyond a 'promising and precocious adolescence'. The position taken by Dobb is the mirror image to the Wallerstein-Arrighi approach: 'It would seem as though the very success and maturity of merchant and money-lending capital in these rich continental centres of entrepôt trade, instead of aiding, retarded the progress of investment in production; so that, compared with the glories of spoiling the Levant or the Indies or lending to princes,

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<sup>12</sup> Arrighi 2002, pp. 127-144.

<sup>13</sup> Arrighi 2002, p. 140.



industrial capital was doomed to occupy the place of a dowerless and unlovely younger sister.<sup>14</sup> The rise of capitalist production was not aided, but hindered by the dominance over international trade.

Eric Hobsbawm put this argument in an international context in his seminal article on 'the crisis of the seventeenth century'. He argued that the embeddedness of Dutch commerce in a still feudal European system of trade, reflecting the underdeveloped nature of productive capacities in the home market, put constraints on its economic developments that the Republic was not able to break. Even at the peak of its seventeenth century splendour, the Netherlands remained 'in many respects a "feudal business" economy; a Florence, Antwerp or Augsburg on a semi-national scale.'<sup>15</sup> Ellen Meiksins Wood has recently elaborated this argument.

According to her, instead of being forced to invest by the competitive pressure of rival capitals Dutch merchants and (crucially) commercial farmers only made clever use of market opportunities as a temporary strategy.<sup>16</sup> Their main interest resided not in accumulation and 'improvement' in production, but in public office as a means to control monopolistic trading advantages. When international trading opportunities declined under pressure of the seventeenth century crisis, the Dutch elite fully withdrew to 'political accumulation'. For Wood, 'the Dutch Republic enjoyed its Golden Age not as a capitalist economy but as the last and most highly developed non-capitalist commercial society'.<sup>17</sup>

*Going back to Smith ...*

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<sup>14</sup> Dobb 1963, p. 160, compare p. 195.

<sup>15</sup> Hobsbawm 1967, pp. 44-45.

<sup>16</sup> Wood 2002a, p. 90, and Wood 2002b.

<sup>17</sup> Wood 2002a, p. 94.

The authors cited differ significantly in their analysis of Dutch society and its place within the wider transition. But they do share a similar appreciation of the sources of Dutch wealth. Whether they put more emphasis on the European bulk-carrying trade or the colonial luxury trade, all agree that commerce was the origin of the Dutch 'Golden Age'. Production is viewed from the angle of this commercial success, not as a factor in itself. In taking the merchant-regent as the essential Dutch character, they can build both on the self-image of the Dutch that has become deeply ingrained in our common cultural heritage, and on a large body of popularising literature well-known in the English speaking world.<sup>18</sup> However, in doing so they inadvertently draw back on an explanation of Dutch success that was first put forward not by Karl Marx, but by Adam Smith.

For Smith, the Dutch Republic was the prime example of a purely commercial society. This country, he wrote in a passage extolling the advantages of a free port system, 'not only derives its whole wealth, but a great part of its necessary subsistence, from foreign trade'.<sup>19</sup> Elsewhere, Smith again takes foreign trade as the basis of Dutch success: 'Holland, in proportion to the extent of the land and the number of its inhabitants, by far the richest country in Europe, has (...) the greatest share of the carrying trade of Europe.'<sup>20</sup> He even suggested that the Dutch primacy in European trade was still a fact in the second half of the eighteenth century, a position he repeats by calling Holland 'then, as now, the great emporium for all European goods'.<sup>21</sup> The Dutch Republic probably was the most commercialised of all commercial societies, because low interest rates stimulated the Dutch bourgeois not to let their money lay idle and invested the whole of society with a mercantile frame of

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<sup>18</sup> E.g. Barbour 1950, Boxer 1965 and Wilson 1968.

<sup>19</sup> Smith, 1999b, p. 76.

<sup>20</sup> Smith 1999a, p. 473.

<sup>21</sup> Smith 1999b, p. 40.

mind. 'It is there unfashionable not to be a man of business. Necessity makes it usual for almost every man to be so, and custom everywhere regulates fashion.'<sup>22</sup>

Writing in the decade running up to the fourth Anglo-Dutch War, Smith of course acknowledged that the leading position of the Dutch was not entirely due to free trade. Military strength played an important role. In fact, the seventeenth century Republic was 'the only naval power which could endanger the security of England.'<sup>23</sup> But on a whole, it was the favourable attitude taken by the Dutch rulers to the interests of free trade that formed the main reason for its success. This attitude was promoted by the fact that merchants themselves ruled the country. 'The republican form of government seems to be the principal support of the present grandeur of Holland. The owners of great capitals, the great mercantile families, have generally either some direct share or some indirect influence in the administration of that government. (...) The residence of such wealthy people necessarily keeps alive, in spite of all disadvantages, a certain degree of industry in the country.'<sup>24</sup>

Smith provided a framework that still shapes many of the mainstream interpretations of Dutch economic history. Two hundred years after *The Wealth of Nations*, Douglass C. North and Robert Paul Thomas wrote their incredibly influential and highly ideological history of the 'rise of the Western world', explicitly aimed at providing 'a framework consistent with and complementary to standard neo-classical economic theory.'<sup>25</sup> In it, they take the Netherlands to be 'the first areas of Western Europe to escape the Malthusian checks' associated with feudalism.<sup>26</sup> Like Smith, they firmly locate the increase in wealth in trade and commerce, which formed 'the

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<sup>22</sup> Smith 1999a, p. 199.

<sup>23</sup> Smith 1999b, pp. 40-41.

<sup>24</sup> Smith 1999b, p. 505.

<sup>25</sup> North and Thomas 1973, p. vii.

<sup>26</sup> North and Thomas 1973, p. 132.

prime mover of the Dutch economy throughout the early modern period.<sup>27</sup> And, again following Smith, they argue that the republican political institutions were key to its success: 'it is clear that in the Netherlands property rights appropriate for the development of both an efficient product market and a short-term capital market had been created. The influence of those developments (...) permeated the entire Dutch economy.'<sup>28</sup>

But the most elaborate version of the Smithian view can probably be found in the *magnum opus* of Fernand Braudel, *Civilization and Capitalism*. Here, Braudel tells the story of a 'poor country' that, due to geographical and historical coincidence could become the nodal point between the different developing markets of Europe. 'The ultra-rich southern sea [i.e. the Mediterranean – PB], blessed with every gift and advantage, saw its place taken by the ocean (...). The withdrawal of Genoese capitalism and with it of Italy as a whole (now under attack from all sides) left the way clear for the victory of the mariners and merchants of the North.'<sup>29</sup> Dominance in the Baltic trade, primarily the grain trade the Dutch called the 'mother trade', was enough to propel the Dutch 'high-voltage urban economy'<sup>30</sup> into a long period of success, which again in Braudel's view lasted well into the eighteenth century.<sup>31</sup> 'Once Holland had conquered the trade of Europe, the rest of the world was a logical bonus, thrown in as it were.'<sup>32</sup>

It is this view of Dutch primacy built on the founding stone of international trade that provides the framework for many mainstream-interpretations of Dutch history. Mediated by the work of its twentieth century popularisers, it constitutes the

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<sup>27</sup> North and Thomas 1973, p. 134.

<sup>28</sup> Ibid, 141.

<sup>29</sup> Braudel 2002, p. 175.

<sup>30</sup> Braudel 2002, p. 180.

<sup>31</sup> Braudel 2002, p. 282.

<sup>32</sup> Braudel 2002, p. 207.

prism through which both sides in the transition debate have consistently read Marx's comments on Dutch capitalism.

... or to Marx?

Marx of course studied *The Wealth of Nations* very carefully, and even when we do not accept Wood's thesis that the young Marx took a Smithian view of the transition<sup>33</sup>, Smith clearly exerted an influence on Marx's early reading of political economy. So his endorsement of the Dutch Republic as 'head capitalistic nation' might have been a late Smithian hangover, inconsistent with the more general approach set out in *Capital*. However, there are important arguments to reject this view. One of the strongest, but hitherto unnoticed, is the large amount of notes and extracts by Marx on the Dutch case. Over the last two decades, more and more of those have become available to us through the *Marx-Engels Gesamtausgabe* (MEGA), but up to now, these remain largely unused. The notebooks from the 1840's and 50's that have now been published contain many references to the Dutch Republic, based on the works of political economists such as William Petty and contemporary historians such as Gustav von Gülich.<sup>34</sup> Especially the extracts from the work of the latter author, including among others a twenty page abstract on Dutch economic history from the thirteenth to the nineteenth century, prove that Marx did base his observations on the Dutch Republic on a very thorough reading of the available literature.<sup>35</sup> Most of Marx's observation in *Capital* I and III can be traced to those notebooks, showing that those remarks, while scattered, were far from accidental. When taken together, they form a more or less coherent whole. Perhaps

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<sup>33</sup> Wood 2002a, 35.

<sup>34</sup> E.g. Marx 1983, 1998 and Marx and Engels 1981, 1988 and 2007.

<sup>35</sup> Marx 1983, pp. 246-48, 390-92 and 389-404.

more importantly, they practically on every occasion betray an approach that differs markedly from Smith's.

First, from the outset it is clear that Marx's main focus was not on the development of trade as such, but on the connections between trade and production. This is even true in places where Marx does seem to take trade to be the basis of Dutch productive advance. Thus, in the *Grundrisse*, Marx mentions the Netherlands only once, in a passage on the genesis of large-scale manufacture: 'This arises, where there is mass-production for export – hence on the *basis of large-scale maritime and overland trade*, and in the centres of such trade, as in the Italian cities, Constantinople, the Flemish, Dutch cities, some Spanish ones such as Barcelona, etc.'<sup>36</sup> However, in *Capital* III, Marx makes clear that trade was not the starting point of this development. Here he explains that 'the great revolutions that took place in trade in the sixteenth and seventeenth centuries' only could become accelerating factors in the transformation of the economic base where changes in the field of production had already begun. '[T]he modern mode of production in its first period, that of manufacture, developed only where the conditions for it had been created in the Middle Ages. Compare Holland with Portugal, for example.' And in a footnote, he makes explicit that the difference between the two lay in the 'predominant role of the basis laid by fishing, manufacture and agriculture for Holland's development'.<sup>37</sup>

The same contrast between those medieval centres of merchant capital that merely based themselves on trade, and those that could establish a relation between their trading functions and their home production, can also be found in an excerpt made by Marx in the mid-1840's from a work by Friedrich List: 'The Hanseatic cities founded their trade "not on the production and consumption, on the agriculture and

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<sup>36</sup> Marx 1964, p. 116. Marx's emphasis.

<sup>37</sup> Marx 1991, p. 450.

manufacture of the land to which the merchants belonged” ... “They found it easier to buy the manufactured goods in Belgium, than to establish manufactures in their own country; they advanced the arable farming of Poland, the sheep-farming of England, the iron production of Sweden, and the manufactures of Belgium” ... “they bought there, where they could have the commodities at the cheapest. But when the countries from which they bought, and the countries to which they sold excluded them from their markets, neither their own agriculture nor their internal manufacture were so developed that their superfluous merchant capital could find accommodation there; therefore, it disappeared to Holland and England”.<sup>38</sup>

Of course, Marx did not deny that the most striking feature of the seventeenth century Dutch economy that grew out of this base was its commercial wealth. However, his concern was to show that merchant capital does not in itself give rise to capitalism as a mode of production. ‘Commercial capital, in the first instance, is simply the mediating movement between extremes it does not dominate and preconditions it does not create.’ Hence his famous dictum that the ‘trading peoples of old existed like the gods of Epicurus in the *intermundia*, or like the Jews in the pores of Polish society.’<sup>39</sup> But the previous quote from his notebooks shows that he did not consider this intermediary function of merchant capital as static. Merchant capital could, at least up to a certain level, become an instrument for revolutionising production in places where the dissolution of feudal relations in production was already on its way. It is from this angle that Marx took an interest in the Dutch case.

Marx differed from Smith and his followers not only in his views on the origins of Dutch commercial success, but also in his take on its ending. It is this element that writers such as Dobb and Wood point to. Marx considered the dominant position that

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<sup>38</sup> Marx and Engels 1981, 513. My translation.

<sup>39</sup> Marx 1991, p. 447-448.

commercial wealth attained in areas like Northern Italy and the Low Countries as much a barrier as an advantage to further development in production. Merchant capital prospered in as far as productive capital remained relatively underdeveloped. This 'law that the independent development of commodity capital stands in inverse proportion to the level of development of capitalist production appears particularly clearly in the history of the carrying trade, as conducted by the Venetians, Genoans, Dutch, etc., where the major profit was made not by supplying a specific national product, but rather by mediating exchange of products between commercially – and generally economically – undeveloped communities and by exploiting both the producing countries.'<sup>40</sup>

Once the societies at the different end of this mediation became centers of capitalist production, the role of the independent intermediary became more and more obsolete. Being out-competed first in the area of production and then in the area of trade, the capitalists in the former commercial centers started to transfer their money elsewhere, and became agents for capitalist development across borders. 'Thus the villainies of the Venetian thieving system formed one of the secret bases of the capital-wealth of Holland to whom Venice in her decadence lent large sums of money. So also was it with Holland and England. By the beginning of the 18th century the Dutch manufacturers were far outstripped. Holland had ceased to be the nation preponderant in commerce and industry. One of its main lines of business, therefore, from 1701-1776, is the lending out of enormous amounts of capital, especially to its great rival England.'<sup>41</sup>

Even though the Amsterdam capital market still commanded enormous amounts of wealth in the first decades of the eighteenth century, Marx dated the

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<sup>40</sup> Marx 1991, p. 446.

<sup>41</sup> Marx [1867], p. 707.



highpoint (and therefore the start of decline) of Dutch commercial wealth already in 1648.<sup>42</sup> Hereafter, Dutch capital started to suffer from increasing competition from the English and the French. This competition translated into fierce military conflict, mercantilist measures protecting home markets from Dutch intrusion, and the building up of local manufactures that ended the English and French dependence on Dutch imports. The flowering of the Amsterdam stock exchange in the eighteenth century, far from being a symptom of continued economic strength, was a result of the relative decline of the productive base.

The third difference between Marx's account and Smith's lies in his views on the role of the Dutch state. Whereas Smith and his followers stressed the commercial virtues of the Dutch political elite, Marx held a rather less friendly – and much more realistic – position on the Dutch ruling class. Not respect for property rights in general, but a deep commitment to the property of the Dutch capitalist elite at the cost of anyone else characterized the operations of the Dutch state. The property rights of either colonial peoples or the poorer classes within the Netherlands were never part of the equation, and the state did not act as a neutral guarantor towards them. So, the full sentence in which Marx calls the Netherlands the exemplary capitalist nation, runs: 'The history of the colonial administration of Holland – and Holland was the head capitalistic nation of the 17th century – "is one of the most extraordinary relations of treachery, bribery, massacre, and meanness".'<sup>43</sup>

The large public debt and developed system of taxation – two Dutch novelties that Smith greatly admired – were viewed by Marx in the same spirit. 'National debt, i.e., the alienation of the state – whether despotic, constitutional or republican –

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<sup>42</sup> Marx [1867], p. 705.

<sup>43</sup> Marx [1867], p. 704. The quote is from former lieutenant-governor of Java Thomas Stamford Raffles, who undoubtedly knew a thing or two about treachery, bribery, massacre and meanness himself.

marked with its stamp the capitalistic era. (...) The public debt becomes one of the most powerful levers of primitive accumulation.’<sup>44</sup> The large public debt, which formed a secure outlet for capital investment as well as a source for state demand, could only be founded on high taxes. ‘Modern fiscality, whose pivot is formed by taxes on the most necessary means of subsistence (thereby increasing their prices), thus contains within itself the germ of automatic progression. Over-taxation is not an incident, but rather a principle. In Holland, therefore, where this system was first inaugurated, the great patriot, De Witt, has in his “Maxims” extolled it as the best system for making the wage-labourer submissive, frugal, industrious, and overburdened with labour.’<sup>45</sup>

The picture that emerges from those passages clearly differs from the one painted by Smith and his followers. But the most important element of this difference has been missed by all Marxists writing on this subject. In taking ‘agriculture, fishing and manufacture’ as the founding stone rather than a by-product of Dutch commercial success, Marx hinted at an approach to the Dutch ‘Golden Age’ that is at odds with both prevalent approaches – and with the popular view both inside and outside the Netherlands. However, this focus on the productive base underneath the glittering expansion of trade is supported by the findings of economic historians over the last thirty years.

*Medieval roots: an urban-agrarian symbiosis*<sup>46</sup>

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<sup>44</sup> Marx [1867], p. 706.

<sup>45</sup> Marx [1867], p. 708. The work cited, long wrongly ascribed to the seventeenth century Dutch statesman Johan de Witt, is the *Interest of Holland*, written by Pieter de la Court. De la Court wrote the first systematic defense of free trade and a labour market free from guild regulations.

<sup>46</sup> I was in the finishing stage of this article when I received a yet unpublished paper by Bas van Bavel on ‘The medieval origins of capitalism’. The overlap with my arguments undoubtedly stems from the fact that I already plundered many of his previous publications, as acknowledged in the footnotes.

Within the confines of this article, only a short and sketchy overview is possible of the transformation of the Dutch economy in the late medieval and early modern period. This necessarily comes at the expense of many important aspects of this story. A proper attention to the variations existing within the Netherlands will be all but absent. So is the relationship between the North and the Southern Netherlands (now Belgium), which contained Europe's most developed urban economies but was cut off from the North in the course of the Dutch Revolt.<sup>47</sup> Another real omission is a proper account of the structure of the Dutch colonial empire. I hope to make clear that this is not from any sort of Eurocentric bias, but simply because some of the main interpretative battles to be waged are about the structure of Dutch society at home. Understanding those will also increase our understanding of the Dutch mode of operation overseas. Taking in all those aspects would require at least a book. What follows therefore is highly incomplete. However, plenty of books and articles are referred to in order to still one's appetite.

Traditionally, the rise of Dutch commercial dominance has been dated from the fall of Antwerp to the Spanish troops in 1585. The influx of Southern merchants into the Northern cities and the blockade of the Scheldt allowed Amsterdam to become what Antwerp had been until then: the staple market of Europe. The overrunning of the Flanders and Brabant towns by the Spanish armies certainly accelerated the shift of economic weight from South to North. However, as Wim Blockmans has rightly stressed, 'It would have been impossible to take up this role immediately without having developed a structural basis during the preceding centuries.'<sup>48</sup>

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<sup>47</sup> A short overview of the interrelation between North and South before the Revolt can be found in Van Zanden 1993a.

<sup>48</sup> Blockmans 1993, p. 42.

Recent historiography therefore puts much more emphasis on the medieval roots of Dutch economic expansion. Already in the fifteenth century, especially the Western provinces formed one of the most urbanised areas of Europe. They also contained a highly differentiated, commercialised and technologically advanced agriculture. At least in the seaborne peat-areas in the West and the North and the river clay regions, this coincided with a class structure on the land that was markedly different from that of most European agriculture. In the Land of Culemborg, large tenant farms worked by wage labourers in the 15th and 16th centuries replaced small and medium-sized family farms. New types of extensive agriculture were developed in order to reduce the required labour input and maximize profits.<sup>49</sup> In Southern Holland, even before the Revolt, wealthy burghers bought plots of land from peasants on a large scale.<sup>50</sup> And in Guelders during the fifteenth and sixteenth centuries, 'three-quarters of the land was leased out, the mobility of the lease land was high, population pressure was relatively low and market specialization was attractive in view of the proximity of large population centres in Brabant, Flanders and especially Holland.'<sup>51</sup> As a result, a structure of landholding arose in which 'already from the sixteenth century onwards the only distinction that mattered was between property (*eygendom*) and short-term leasehold (*huer*), even if, in a formal sense, all the older categories of land tenure (...) somehow survived.'<sup>52</sup>

This marketisation, however, was in no way a natural given. Around the year 1250, 'the Netherlands by all signs retained a backward, rather primitive peasant economy. Towns and markets were virtually non-existent, as was anything like

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<sup>49</sup> Van Bavel 1999, p. 307.

<sup>50</sup> Van Bavel 2004, p. 139.

<sup>51</sup> Van Bavel 2004, p. 141.

<sup>52</sup> Van Bavel and Hoppenbrouwers 2004, p. 16.

centralized power.<sup>53</sup> Feudal structures in those areas were weak, but this was a result from their marginal position. The role peasants played in the colonisation of arable lands and the high costs and complexity of drainage further limited the measure of seigneurial control. Simple commodity production characterized the structure of agriculture until the time of the great late feudal crisis.

The great jump ahead, at least in the province of Holland, occurred around the fourteenth century. Ecological processes resulting from the use of the land led to a sinking of the land by two meters or, in some places, even three metres or more.<sup>54</sup> As a result, the soil ceased to be suitable for subsistence farming. As Bieleman rightly emphasizes, this could have led to depopulation as happened elsewhere in Europe.<sup>55</sup> But development in Holland and a number of other areas in the Netherlands took a different course. An economic redirection took place towards commercial farming, largely the keeping of livestock for the production of butter and cheese, and, to a lesser extent, the cultivating of 'industrial' products such as hops (for brewing) and hemp (for rope making), linseed (for oil) and madder (for dyestuffs). Technological change started to accelerate. A rural surplus population found employment in fishing, most importantly herring meant for export, digging and diking, in rural proto-industries, or in the towns.<sup>56</sup> The countryside became highly capital-intensive, and labour was increasingly made 'free' or 'semi-free'. Van Bavel calculates that by the early sixteenth century, 48 % of all labour in Holland and 57 % in the Guelders river area was performed as wage labour.<sup>57</sup>

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<sup>53</sup> Hoppenbrouwers 2006, p. 254.

<sup>54</sup> Bieleman 1993, p. 162.

<sup>55</sup> Ibid.

<sup>56</sup> Van Zanden, 1993b, chapter 2.

<sup>57</sup> Bavel 2006.

The 'discovery' of rural capitalism in the Northern Netherlands has led to a debate on the applicability of the 'Brenner-thesis' to Dutch development.<sup>58</sup> However, Brenner's almost exclusive focus on agrarian class relations does not fit well with the Dutch case, in which the cities played such a crucial role. The path of specialisation taken by many Dutch peasants was only possible for the presence of strong and independent towns, increasingly integrated in a European trading system. Even Brenner himself includes this in his interpretation. 'Here, of course, urban development was more intense than in any other region of Europe throughout the long epoch from the ninth and tenth centuries into the eighteenth. It was driven during the medieval period by the meteoric expansion of the Flemish textile export industries; it received a new impetus from the end of the Middle Ages from the rise of the Antwerp entrepôt as well as Brabantine industry more generally; and, then, from the latter part of the sixteenth century, it was massively amplified by the Dutch urban commercio-industrial explosion. The outcome was great, sustained demand pressure on agriculture over a very extended period, the reply to which by Low Countries' agriculturalists was, moreover, very much facilitated by their access to the international grain market.'<sup>59</sup>

In order to escape the charge of reverting to the commercialisation model and returning the rise of the town to the central place in the transition, Brenner insists that only where feudal control over the land was weak, the process of marketisation took place. But he cannot prove that this feudal weakness was the result of the other main plank of his argument; rural class struggle. Although some very large but hardly

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<sup>58</sup> The different contributions to the conference that was organized on this subject have been collected in Hoppenbrouwers and Van Zanden 2001.

<sup>59</sup> Brenner 2001, p. 302. Ellen Meiksins Wood has replied to this in Wood 2002b. This 36 page article is based on exactly one article and two books on the Dutch Republic, one of which is Simon Schama's cultural history of the Netherlands in the seventeenth century. Her argument seems to rest on the assumption that, since England must have been the first capitalist nation, every expression of capitalism elsewhere must have been non-capitalist. Her argument that the non-capitalist nature of the Dutch Republic was decisively shown in the crisis of the seventeenth century will be dealt with later.

studied peasant revolts took place in the 13<sup>th</sup>-14<sup>th</sup> centuries, it is hard to prove that their outcome resulted in shifts in social property relations.<sup>60</sup> In Brenner's narrative, they do not even get mentioned. The result is a sort of ecological determinism, in which the social structures on the land driving the transition arose more or less automatically from the changing arability. The other major explosions of class struggle that did take place, within the towns and between towns and their feudal overlords, are as well completely ignored, since the towns for Brenner were not the locus of capitalist development.<sup>61</sup> However, those struggles were in themselves a factor in the weakening of feudal control.

The Dutch case suggests that to look for the roots of capitalism either in the countryside or in the towns might rest on an artificial separation. True, towns were not simply the representatives of capitalist trade against a feudal hinterland. But neither were they simply an extension of the power of the lords. Town and country were integrated in common systems of both trade and production. As Rodney Hilton showed so convincingly, the towns in Europe rose not in opposition to, but in symbiosis with the development of feudalism.<sup>62</sup> But this symbiosis was not at all static. Even when the cities of the fifteenth century were part of a wider European feudal network of trade, they were not in the same way as the market villages that feudal lords had once set up to provide for their luxury demands. A considerable number of them had become powerful centres of wealth and production in their own right. Leyden, the biggest city of Holland at the start of the sixteenth century, had evolved into one of the leading centres of cloth production. Other industries, like brewery, had started to develop on a large scale throughout the province of Holland. Those urban industries were intimately connected with rural development. When the

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<sup>60</sup> I owe this point to Bas van Bavel.

<sup>61</sup> On the dynamics of urban revolt, see Boone and Prak 1995.

<sup>62</sup> Hilton 1992.

Northern Netherlands started to gain a foothold in Baltic trade, this did not simply mean further integration into a larger feudal whole. It was coupled to another, opposite effect: a slow but fundamental change in the relationship between town and country. The cycles of urban and rural trade and production that arose created a society in which the old feudal institutions were steadily being pushed to the margins.

At least in Holland, the cities gradually gained social and economic weight over the countryside. The lords who still dominated the Northern Netherlands politically during most of the sixteenth century had their main landed estates elsewhere. Their power was backed up by the larger feudal states into which the Dutch provinces were integrated: first the Burgundian state, then the Habsburg empire. The description given by Hobsbawm for the Dutch Republic of the seventeenth century perfectly fits the Northern Netherlands of the sixteenth: this was a 'feudal business economy'. On the ground, both in the countryside and in the towns, feudal structures had already seriously eroded and business ruled supreme. At the top, the independence of the capitalist elites was limited by their subordination to feudal political entities. Brenner and Wood are right when they stress that this subordination held important advantages to the urban elites, and that most of the time they subordinated themselves willingly. But this willingness, or rather the ability to settle for a comfortable niche within the larger feudal superstructure of Europe, was not unconditional. This became clear in the course of the sixteenth century, with dramatic consequences.

*From the Dutch Revolt to the Golden Age*



The sixteenth century was an age of economic expansion, but also of serious disruptions. A number of important industries in this period faced stagnation or even decline. Leyden cloth manufacture had dwindled as a result of the rising competition of the 'new draperies', as a conservative urban elite - including the merchants who controlled the old draperies - threw up prohibitions against the establishment of new and competing manufactures.<sup>63</sup> Trade was affected by the great dynastic wars, and the absolutist Habsburg rulers to whom all of the Dutch provinces after 1543 belonged tried to gain leverage over merchant wealth through increased taxation.<sup>64</sup> The merchant fleet of Holland grew considerably between 1530 and 1567 due to the expansion of Baltic trade, but also was hindered in the 1560's by the closure of the Sound.<sup>65</sup> This drove up grain prices, which caused serious unrest among the urban lower classes at a time already characterized by the rise of popular religious opposition.

No one will deny that, as well as completely changing the political conditions and religious order, the Dutch Revolt opened a new phase in the economic history of the Netherlands, even though the exact relationship between the revolution against the Habsburg Empire and the 'Golden Age' of the seventeenth century is hard to trace. Marx and Engels thought of this event as one of the 'classical' bourgeois revolutions.<sup>66</sup> But the bourgeoisie did certainly not make this Revolt, as I have argued elsewhere.<sup>67</sup> Opposition of the leading feudal lords to the centralizing policies of Philips II first destabilized the political-religious settlement for the Netherlands, and three great waves of urban uprisings (1566, 1572 and 1578-79) driven by the urban

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<sup>63</sup> Brand 1993.

<sup>64</sup> Anderson 1986, pp. 60-61.

<sup>65</sup> Van Zanden 1993c, p. 8.

<sup>66</sup> E.g. Marx 1973, p. 192: 'The model for the revolution of 1789 was (at least in Europe) only the [English] revolution of 1648; that for the revolution of 1648 only the revolt of the Netherlands against Spain'.

<sup>67</sup> Brandon 2007.

middle and lower classes than shifted the locus of the Revolt away from the nobility. Only then could the bourgeoisie in the Northern Netherlands become the main benefactor of the Revolt. It is a classical example of Marx's aphorism that 'The chevalliers d'industrie (...) only succeeded in supplanting the chevaliers of the sword by making use of events of which they themselves were wholly innocent.'<sup>68</sup>

The revolt had a number of unintended side effects that greatly stimulated the further capitalist development of the Dutch economy. One was the confiscation of church lands, which was sold by public auction and thereby greatly augmented land possession as a form of urban investment. Large-scale capitalist participation in land reclamation further altered the rural property structure in the direction that was already present from the later middle ages.<sup>69</sup> A second direct result from the Revolt was the loss of political influence of the nobility and the catholic clergy, which at least in the province of Holland left the urban elites in complete control over the provincial estates. The purging of city magistrates from former catholic loyalists could also have had some effect in opening the way for new groups of merchants, who had previously been excluded by the more narrow merchant oligarchies. This for example seems to have been the case in Leyden, where the purging of the magistrate opened up city government to the southern refugees involved in new drapery.<sup>70</sup>

Overall, the Dutch Revolt left the state firmly under control of the merchant elite. This became especially clear in matters of war and peace, where dynastic considerations were replaced by commercial considerations as driving force behind international politics. Internally, through their control over the provincial States of Holland, the merchants exerted enormous influence over politics as well. The enormous political and financial weight of Holland over the other provinces provided

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<sup>68</sup> Marx [1867], p. 669.

<sup>69</sup> Van Bavel 2004, p. 139.

<sup>70</sup> Lamet 1972.

the necessary coherence despite internal divisions and regional varieties in the pace of the transition. Although the Dutch Republican state seems like a rather ramshackle construction when looked at in the light of later development, the outcome of the manifold political balancing acts between local elites and their particular interests was not unfavorable to the further development of capitalism in the seventeenth century. Even when the new governors increased taxes to a level the Habsburg rulers could not have dreamt of, both the super-rich and substantial parts of the petit-bourgeois layers beneath them could feel that their interests were well served. Besides, the state never let the urban elites bear the brunt of taxation. Confirming Marx's observation on the class nature of Dutch state revenues, in 1640 over 70 percent of taxes were levied through excises and semi-direct taxes. In 1650, of all farmed out taxes in the Southern part of Holland, 74.6 percent consisted of taxes on basic necessities.<sup>71</sup> The new state that emerged out of the Revolt was extremely effective in letting the poor and working classes pay for its commercially driven military exploits through a high cost of living. The rich and substantial layers of the middle classes contributed through the various forms of state debt, which became an increasingly heavy burden on Dutch society as a whole, but remained an extraordinarily secure and profitable form of investment for the elites.

Probably the most spectacular effect of the revolt was to launch the newly founded republic onto the international scene. Instead of victims of the power play of others, the Dutch merchants backed by their state became major players in this field themselves. Almost from inception, the Dutch started to rival the two Iberian colonial empires, and soon after the founding of the East India Company (VOC) in 1602 it became the leading power in Asia. Like in the English Civil War and the French

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<sup>71</sup> 't Hart 1993, pp. 138-139.

Revolution, the revolutionary phase of the Dutch Revolt seamlessly went over into the empire-building phase.

The Dutch Revolt thus liberated one of Europe's most developed regions from the constraints of an empire in which trade and industry were always subordinated to royal interests, ultimately guided by the landed interests of the Spanish aristocracy and the Catholic Church. An independent republic was established in the 1580's - a status that was recognized by the Spanish Crown only at the peace of Westphalen in 1648. On the basis of the urban-agrarian symbiosis created in the late Middle Ages, the growth of Baltic trade of the sixteenth century, the rise of the Amsterdam entrepôt at the expense of Antwerp and the unscrupulous use of state-power whenever essential economic interests came in peril, this republic became a powerful independent centre of capital accumulation.

### *Merchants and manufacturers*

From the 1590's to the Peace of Utrecht of 1713, the Dutch Republic held the position of a European great power. In 1672, it survived a combined attack at land and sea by France, England and their allies on the eastern border. In 1688, it managed to send an invading force of 15,000 troops in order to effect 'regime change' within its main commercial rival, installing William III of Orange as king of England. During the War of Spanish Succession, in the first decade of the eighteenth century, the Dutch state could pay for an army of 120,000, on a population of barely 2 million.

This military power was based on unrivaled commercial supremacy. Dutch shipping around 1648, when the war with Spain came to an end, outstripped that of

all their European rivals put together. According to one estimate England's commercial fleet grew from ca. 400 to ca. 1400 ships between 1600 and 1700. But already in 1600, ca. 1900 ships sailed under the Dutch flag. This figure grew to 2600 in 1670, to decline to the still considerable number of 2200 in 1700. The total tonnage of the English merchant fleet amounted to approximately 300.000 tons in 1700, whereas the Dutch reached exactly double that number in 1670.<sup>72</sup> As we have seen, growth had already set in at the start of the sixteenth century, and greatly accelerated after 1580. The small strip of land at the North Sea coast became the wealthiest part of Europe. Even in 1800, after roughly 150 years of stagnation of overall economic growth, per capita income in the Netherlands was still higher than in the neighbouring countries.<sup>73</sup>

Popular myth has it that the main source of this wealth was Dutch colonial trade. Of course the plundering of the East Indies by the VOC and the active role in slavery of its less successful brother, the West India Company, contributed greatly to the amassing of wealth of many powerful merchant houses. These commercial activities were accompanied by all the great crimes that Marx so vividly described in the concluding chapters of *Capital* I. They also were crucial in the self-image of the members of the ruling merchant class, who liked to portray themselves as adventurous undertakers defying the waves of the seven seas, subjecting undeveloped peoples to their beneficial rule.<sup>74</sup> But in purely numerical terms, the so-called 'rich trade' in colonial luxury goods was overshadowed by the less adventurous (and less murderous, though certainly not peaceful) trade in grain, wood, iron, copper, furs and other bulk goods. As the following figures show,

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<sup>72</sup> Schipper 2001, p. 55.

<sup>73</sup> Van Zanden 1993c, p. 6.

<sup>74</sup> The current Dutch prime-minister recently confirmed how deeply this self-image is ingrained in the culture of the Dutch ruling class – and how underdeveloped is the public awareness of Dutch colonial crimes – by saying that the present Dutch should develop more of a 'VOC-mentality'.

European trade rather than colonial trade formed the backbone of Dutch merchant capitalism:

***Dutch foreign trade in millions of guilders per year***

	<b>Ca. 1650</b>	<b>Ca. 1720</b>	<b>Ca. 1770</b>
<i>Export to</i>			
Europe, over sea	105	73	72
Southern Netherlands and Germany, over land	10	10	20
Outside Europe	5	7	8
<b>Total</b>	<b>120</b>	<b>90</b>	<b>100</b>
<i>Export consisted of</i>			
European goods (re-export)	49	26	29
Colonial goods (re-export)	11	22	40
Inland products	60	42	31
<i>Import from</i>			
Europe, over sea	120	78	95
Southern Netherlands and Germany, over land	5	6	10
Outside Europe	15	24	38
<b>Total</b>	<b>140</b>	<b>108</b>	<b>143</b>

*Source: De Vries and Van der Woude, First Modern Economy, table 10.13*

Colonial goods (including those imported from other European nations) formed just over 11 percent of imports and a mere 9 percent of exports at the height of the 'Golden Age'. This had grown to 31 and 24 percent respectively around 1720, partly reflecting the decline of European overseas import and export, partly the growing importance of transatlantic commerce. Only in the latter half of the eighteenth century did colonial goods come close to European goods as a proportion of foreign trade. European import outstripped colonial import by a figure of 8:1 in 1650, and still by 3.25:1 in 1720. True, more of the European import was meant for the Dutch home market, giving colonial goods greater prominence (though still smaller than European goods) in re-export. But the export figures show something else that challenges the image of a nation thriving on long-distance luxury trade. Dutch products comprised a full 50 percent of the total value of exports in 1650, and still 47 percent in 1720, when decline had already set in.

An important part of this inland production was directly connected to the Dutch function as staple market. This was true for those sectors that were at least partially based on the processing of imported materials, the so-called *trafieken* (traffics). Examples are the processing of salt – related to the export of salted herring – and sugar, the sawing of wood, and the distilling of alcohol. Rope and sail making used imported hemp next to the Dutch product, and tobacco industries also depended both on imports and on locally produced leaves.<sup>75</sup>

Shipbuilding was of course another sector that was completely tied to trade. De Vries and Van der Woude estimate that between 1625 and 1700, an average of 400 to 500 ships a year were produced. Given a time of production of four months for a normal ship, and the average number of workers on a wharf, they calculate that

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<sup>75</sup> De Vries and Van der Woude 1997, p. 271.

around 10.000 people were employed in this sector – 5 % of all manufactural workers in the province of Holland.<sup>76</sup> To escape guild regulation in the towns, much of this production took place in rural areas. North of Amsterdam, the area called De Saen (*de Zaanstreek*) developed into a thriving industrial centre. Its 'industrial' development depended on a considerable use of for that time technologically advanced machinery such as industrial windmills. The total number of industrial mills in De Saen grew from 128 in 1630 to 584 in 1731, then to decline to the still high number of 482 at the end of the eighteenth century. Sawing mills made up around 40 percent of those in the first two years, followed by oil mills.<sup>77</sup>

Technological advance in turn was important to the leading position in trade. Already in the sixteenth century, two new types of ships were developed that gave the Dutch a competitive advantage in fishing and carrying trade: the herring buys and the fluyt-ship. The herring buys allowed a part of the processing of the catch to be done on board, enabling the ships to remain at sea for longer periods on end and function as a sort of floating processing factories. The fluyt was an easy to sail ship, which could carry large tonnages with a relatively small number of men. Since the size of the crew was an important determining factor in the total costs of a voyage, the introduction of the fluyt greatly enlarged profitability. The process of shipbuilding itself was also streamlined, introducing assemblage in standardized parts. Until the eighteenth century, the Dutch exported their knowledge and technologies in shipbuilding to the rest of Europe, and on many foreign wharfs Dutch shipbuilders could be found. It is well known that Peter the Great went to the Netherlands to learn the shipbuilding trade before setting up the first Russian wharfs.

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<sup>76</sup> De Vries and Van der Woude 1997, p. 297.

<sup>77</sup> De Vries and Van der Woude 1997, p. 346-347.



Textile industry was the largest employer in the Netherlands. It had both a rural, proto-industrial, and an urban component. Even in Amsterdam, which was not a textile city, 26% of all craftsmen and crafts-workers were employed in this trade. Since over half the Amsterdam working population was involved in the 'industrial' sector, this amounts to a total of 14% of all married men.<sup>78</sup> In cities like Leyden and Haarlem, in which textile production took a more prominent place, the proportion was much higher. Dutch capitalism did not take a lead in textile production in Europe as it did in shipbuilding, but the use of advanced techniques for production allowed it to find a substantial niche based on high-quality products.

Leo Noordegraaf, among others, emphasized the changes occurring in labour relations due to the growth of new types of manufacture. Even when formally guild structures were maintained – and especially in sectors connected to exports, they often were not – in practice those structures lost much of their meaning. 'Division of labour and hierarchization characterized an increasingly large part of industrial activities. Even though the traditional craftsman-based businesses continued to represent a numerical majority, the economic importance of these businesses declined, in part due to the rapid growth of new types of enterprises which were not based on the traditional craftsman structure.'<sup>79</sup>

The growth of new manufactures was accompanied by a new revolution in agriculture that was both social and technological. On the basis of this transformation, the rural areas in the seventeenth century gained a productivity that was high even compared to the most developed European areas in the nineteenth century. De Vries argued that its main result was a process of differentiation within rural communities, in which 'commercial, highly capitalized farm enterprises' gained

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<sup>78</sup> De Vries and Van der Woude 1997, p. 270.

<sup>79</sup> Noordegraaf 1993, 137.

the upper weight. 'Surrounding these new households, nonagricultural specialists in crafts, transportation, marketing, fuel supply, and education arose to provide goods and services that the unspecialized households of earlier times had endeavored to provide for themselves.'<sup>80</sup> The employment of rural wage labour, economies of scale, introduction of new commercial and industrial crops and an intensified use of capital for 'improvement' (i.e. increasing profitability of the land) all characterized the Dutch agricultural sector. And, countering one of Wood's main arguments for a non-capitalist dynamic in Dutch commercial agriculture, competing for Dutch farmers was an imperative rather than an option. Among other things this can be seen from the high turnover-rate of land-holding in the most commercialised parts of the Netherlands.<sup>81</sup>

The urban and rural economies were linked up by the growth of a developed system of river transport, carrying both persons and goods.<sup>82</sup> Peat was used as fuel in smaller industries like the making of bricks, tiles, glass and pottery, as well as in breweries, distilleries, bakeries and textiles. During the seventeenth and eighteenth centuries, about 15.000 ships left or returned to Overijssel harbours in the rural east to transport peat to the more urbanized parts of the country.<sup>83</sup> The urban-agrarian symbiosis of the late Middle Ages had been reconstituted at a higher level, reflecting a further deepening of the process of original accumulation in which labour was 'freed' in the double sense used by Marx, and capital gained control over large swaths of the home economy.

Wallerstein, then, was right when he attacked those who wanted to describe the Dutch Republic only in terms of its carrying trade: 'So much ink has been spilled

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<sup>80</sup> De Vries 1974, p. 120.

<sup>81</sup> Van Bavel 2004, p. 139.

<sup>82</sup> De Vries 1978.

<sup>83</sup> Slicher van Bath 1982, p. 26.

to explain why Holland did not industrialize that we tend to overlook the fact that it did do so.<sup>84</sup> However, he goes much too far when he wants to make this into a form of 'modern industry'. Dutch merchant capital was different from merchant capital in its earlier stages in that it took hold of substantial areas of production. It could do so on the basis of the new social relations that had grown during the medieval period of gestation, and because the inhibiting feudal political structures upheld mainly from the outside by the integration into the Habsburg Empire had been broken. But production itself did indeed never escape the control of merchant capital to become an independent force, as Marxist writers from Marx himself to Dobb have rightly stressed.

The typical capitalist entrepreneur of the early seventeenth century was not the modern industrialist but the merchant-industrialist, who brought under his control sections of production as an extension of his trading ventures, but whose prime concern always remained in the latter rather than the former part of his business.<sup>85</sup> Once competitive pressures started to rise, their response was not to build up the protective walls of mercantilism for strengthening local industries and increasing the home market, since this would harm their trading interests. Instead, they slowly retreated from productive investment into more secure forms of financial dealing. The state, firmly under the control of the competing factions of the same merchant elite, did not have the strength to push through a process of productive modernisation at their expense. So, Dutch capitalist development finally bit itself in the tail.

### *Decline without 'refeudalisation'*

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<sup>84</sup> Wallerstein 1982, p. 100.

<sup>85</sup> Van Gelder 1982, p. 38.

Does the onset of decline prove that there never had been development towards capitalism to begin with? This seems to be the main thesis of Ellen Meiksins Wood. According to her, already during the 'Golden Age' public office, not production or trade, was the predominant source of private wealth.<sup>86</sup> This wealth was not ploughed back into the economy through productive investment, and so the Dutch economy retained a 'disproportionate dependence on luxury consumption by the wealthy few at home or abroad'. This dependence supposedly was brought to light by the impact of the seventeenth century crisis, which reduced demand for luxury goods and thereby dragged the other sectors of Dutch production down.<sup>87</sup> As a result, Dutch elites withdrew into "extra-economic" strategies and investment in politically constituted property' such as public office.<sup>88</sup>

If this line of reasoning would be correct, the only possible conclusion would indeed be that the Dutch Republic was a non-capitalist society. However, the argument is based on unsubstantiated claims at every step. Following Hobsbawm, Wood puts great stress on the impact of the 'seventeenth century crisis' on the Dutch economy. But the mechanism through which this crisis supposedly dragged down the Dutch 'Golden Age', and the timing of this happening, remains unclear. Wood tries to couple two rather vague notions, pretending they are concrete events. The 'general crisis', as the phrase suggests, consists of a number of rather big generalisations concerning population, price movements, shifts in economic weight and military power during the seventeenth century. The epicenter of this crisis is usually placed in the decades between 1620 and 1660. But despite large shifts in international patterns of trade leading to real restructuring, the Dutch economy managed to

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<sup>86</sup> Wood 2002b, p. 73.

<sup>87</sup> Wood 2002b, p. 80.

<sup>88</sup> Wood 2002a, p. 92.

achieve growth.<sup>89</sup> Probably, as Marx suggested, this growth reached its zenith around 1650. But that does not mean that after this, overall decline set in. The second half of the seventeenth century did not see a complete collapse of Dutch trade and industry, but a long period of stagnation, which was felt as decline because others started to set the first steps on the road to recovery.

The coincidence of stagnation with the increasing competition the Dutch faced from the English and the French, both militarily and in trade and manufacture, would suggest that it was not the seventeenth century crisis itself, but rather its ending that put the Dutch economy in a tight spot. The way in which both England and France used the state to draw themselves out of the crisis was itself a particular response to Dutch continuing strength. The Act of Navigation and Colbert's tariff walls launched a new phase in the international transition. But it took a long time – and a long series of wars stretching from the First Anglo-Dutch War of the 1650's till the end of the War of Spanish Succession in 1713 – to affirm the new international order.

The only area in which real, absolute decline indeed slowly started to set in during the second half of the seventeenth century was production. In this sphere of the economy, the causes of decline were also felt sharpest during the eighteenth century, when unemployment became endemic in most Dutch cities and many former industries dwindled. But the cause was not, as Wood suggests, a decline in luxury trade. As we have seen from the figures cited in the previous section, colonial trade even increased in absolute and relative size between 1650 and 1720. The Dutch were out-competed not in luxury trade, but in the traditional core areas of bulk trade, textiles and processing industries. Neither is it true that the initial response to those competitive pressures betrays a non-capitalist way of reasoning. According to De

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<sup>89</sup> Van Zanden 1993c, p. 16.

Vries and Van der Woude, the response of manufacturers was threefold: 'changes in product mix, introduction of labor-saving technology, and locational shifts toward lower-wage regions.'<sup>90</sup> This hardly looks like a non-capitalist response to increased competition. Ultimately, these strategies did not succeed, but this only became clear in the course of the eighteenth century.

By then, large parts of the ruling class had shifted attention away from production. But this was not a form of re-feudalisation, as happened in Italy after the late medieval highpoint of commercial success. It is true that many members of the Dutch ruling class became increasingly involved in the accumulation of political functions. Already in the seventeenth century, many had combined business carriers with the acquisition of public office, often shared within their family or close circle.<sup>91</sup> But this does not make state office the prime source of their wealth. Neither does the fact that the urban patriciate in Holland was wealthier than any other social group. Office was and remained only one of many ways of making money, and certainly not the main. A recent study of the 250 richest people in the Netherlands in the 'Golden Age' concludes: 'Foreign trade was by far the most important source of wealth.' Among the other ways of getting rich, it first mentions 'large scale domestic trade and industry', before mentioning landed possessions and office.<sup>92</sup> The rich did get into office on a large scale, and from the end of the seventeenth century onwards, political functions often became an alternative to active trading or direct productive investment. However, for most this was a strategy of securitisation of already existing wealth, rather than the main way of becoming wealthy.

Income from office did not even come to constitute the main economic base of the ruling class in the eighteenth century. Neither did urban patricians start investing

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<sup>90</sup> De Vries and Van der Woude 1997, p.676.

<sup>91</sup> Adams 2005.

<sup>92</sup> Zandvliet 2006, p. xv.

on a large scale in non-productive landed property as a part of a process of 'aristocratisation', as was long held. Rather, in the course of the eighteenth century they transformed themselves from active merchant-industrialists into financial capitalists. In his study of the Leyden elite of the eighteenth century, Maarten Prak showed that an average member of the city magistrate held a staggering 60 % of their assets in state obligations, for which they received a rent. Another 11.7 % - 15 % for the family members of regents – was invested in foreign, mainly British, loans and stocks. Meanwhile, houses, land and titles only made up 13.9 % of the regents' wealth.<sup>93</sup> The situation in Leyden was more or less representative for most of the Republic, except that 'industrial' decline was probably sharper than elsewhere. As one study concludes: 'The number of really good offices, earning £2000 a year or more, was fairly limited. In general, therefore, only a minority of all regents became rich or richer just by taking part in politics and office.'<sup>94</sup>

Investing in state-obligations was not a hidden form of refeudalisation, as it might have been in countries like Spain or France where state income still largely rested on the expropriation of the surplus of peasant production. Dutch tax income, in the eighteenth century as well as in the seventeenth, rested on the highly commercial structure of Dutch life. It was a form of redistribution and concentration of wealth, as Marx rightly commented, but one that rested on the already developing capitalist base of the economy. And state expenses, both in the seventeenth and in the eighteenth century, were largely directed at strengthening or protecting this base. It would take a very flexible mind to follow Wood's argument that this was an example of non-capitalist behavior, because 'a major part of its revenues were still expended on the "extra-economic" pursuit of commercial interests by means of military

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<sup>93</sup> Prak 1985, p. 117.

<sup>94</sup> De Jong 1987, p. 82.

aggression for the sole purpose of enhancing commercial opportunities'. If using military state intervention for commercial gain is a non-capitalist venture, we must be refeudalising at an amazing pace.

Dutch early modern capitalism did not become a launch path for an industrial revolution. The economic ruling class of the Dutch Republic by and large did not favor the attempts at reform for industrial revival that were proposed by more farsighted statesmen in the course of the eighteenth century. But why would they? By becoming large-scale financiers, they could remain part of the international market without having to bear the risk of launching new enterprises from a small home base under pressure of international rivalry. Instead, the Amsterdam capital market became a major source underpinning the British state debt and private investment.<sup>95</sup> So, the stalled Dutch transition to modern capitalism provided some of the major elements of the British industrial revolution and the building of the first real capitalist empire, while continuing to fill the pockets of the Dutch ruling class.

When in the 1780's, and again in 1795, revolutionary movements arose against this regent class, the 'fight against aristocracy' became a popular battle cry. But those movements never had to dispose of a real aristocracy of the land. This had been broken economically already in the late Middle Ages, and politically in the course of the Dutch Revolt. What remained of it was largely a symbolic force. The second round of the Dutch bourgeois revolution was directed against the moneyed aristocracy of the Amsterdam stock exchange, which had managed to integrate itself into international capital at the price of stagnation at home.

## *Conclusions*

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<sup>95</sup> Riley 1980.



Marcel van der Linden closes his brief historiography of Marxist writing on the Dutch Republic by saying that none has yet managed to fit the Dutch case into the more general framework of Marx's theory of merchant capitalism. He concludes that a satisfactory Marxist explanation of Dutch history would require a considerable 'reworking of the relevant parts of Marx's theory'.<sup>96</sup> My suggestion here has been the opposite. We need a considerable reworking of the standard view of Dutch history, which most Marxists participating in this debate have accepted more or less uncritically. In doing so, they read Marx's comments on the Dutch Republic through the prism of a Smithian image firmly established by popular history and through long cultural heritage. However, as I have tried to show, recent historiography on Dutch economic development provides good reason to challenge these established views.

The Marxists who have taken sides on this question are excused for not studying intensively the history of a small country with an inaccessible language. But the increasing amount of good, source based studies on the Dutch economy of the Golden Age in the English language is starting to leave an imprint on much of the mainstream 'modernisation' debate, and this growing body of literature could as well be used for critical Marxist re-evaluation. Accepting its findings poses serious challenges for both competing positions that have been dominant within the transition debate. On the one hand, if even the most mercantile of all merchant Republics could only flourish on the basis of a prior social transformation at the point of production, this adds to the criticisms that were made of the Sweezy-Wallerstein school of commercialisation as the driving force towards capitalism. But on the other hand, taking seriously the interplay between rural and urban economic development that

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<sup>96</sup> Quoted from the final paragraph of the Dutch edition of Van der Linden 1997.

was so central to the Dutch case poses real problems for the Brenner-school, which seeks to find the roots of this social transformation exclusively in agricultural class relations. Most importantly, taking seriously the Dutch case would help to restore the international nature of the transition to the prominent place it has in Marx's original description, captured in his remark that 'the different momenta of primitive accumulation distribute themselves (...), more or less in chronological order, particularly over Spain, Portugal, Holland, France, and England.' Seeing this 'distribution' as a process of interpenetration, not simple chronological succession, could help us break down the narrowing logic of 'British exceptionalism'.

Re-reading Dutch history also challenges some of our long-cherished cultural ideas. The image we get from looking at Rembrandt's *Staalmeesters* is the self-image of the Dutch merchant bourgeoisie. Naturally, they wanted to be portrayed as the creators of Dutch success, the masters of the waves, and the trustees of society. During the 'Golden Age' and after, they did indeed control enormous wealth. But that does not mean that the basis of this wealth was laid by the self-activity of the merchant class – if ever such a thing existed. As Marx suggested, the founding stone of the 'Golden Age' was somewhat less romantic a subject for paintings and self-glorification. It should be located in Dutch 'fishing, manufacture and agriculture'. The developing urban-agrarian symbiosis of the later Middle Ages laid the basis for commercial success. The Dutch Revolt of the sixteenth century helped to free this already developed base from some important constraints, and launched a new expansion of capitalist relations of production under the aegis of the merchant capitalists who controlled the state.

But precisely this commercial domination over manufacture and the state became a barrier once other European powers started to respond to the Dutch

'Golden Age', both militarily and by developing their own productive base. The Dutch trajectory towards capitalism was not diverted by the seventeenth century crisis, but by its ending. Faced with the choice of the desperate gamble of a further revolution in the productive base or the financing of such a venture elsewhere, Dutch merchant capitalists chose the latter option. Dutch capital became a contributing factor in the transition towards capitalism on the other side of the Channel.

I do not claim that all of this, in the form of a rounded analysis, was already present in Marx's *Capital*. But I do suggest that challenging the Smithian tradition in looking at Dutch economic history also provides a vantage point for re-reading his remarks on the Dutch case. Those remarks are directly linked up with crucial sections of the chapters on 'original accumulation' and the historic roots of merchant capital, and therefore some of the key historical passages in *Capital*. Inversely, re-reading Marx might also open interesting new roads for Dutch economic historians, who have up to now mostly overlooked the striking resemblance of their own findings and the views of this nineteenth-century grandmaster of social theory. Of course Marx did not have, somewhere up his sleeve, the answers to the most challenging questions of Dutch history. But when he read some of the same limited sources that Adam Smith had used on the 'Dutch miracle' of the seventeenth century, he did have different questions to ask. They were the same class-bias questions that led him, in a youthful article, to overlook the self-righteous *staalmeesters* and note with wonder that 'Rembrandt painted the mother of God as a Dutch peasant woman'.<sup>97</sup>

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<sup>97</sup> Marx 1961, p. 67.

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