

Rethinking the Dutch Economy and Trade in the Early Modern Period 1570-1680¹

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1. Introduction

Most economic historians working on the Dutch economy agree that the economy of the Netherlands was rapidly expanding in the early modern period. Van Zanden believes that the economy of Holland expanded rapidly between 1500 and 1650, and especially between 1580 and 1670. Van Zanden states that this rapid expansion was characterised by 'the growth of international trade and export industries', and by 'the accumulation of capital by the merchants in the large cities'. He also stresses that this expansion gave Holland an important position in the world economy during the mid-seventeenth century (Van Zanden: 1993a: 5, 29-30; 1995: 652). Economic historians Van der Woude and De Vries (1997) state that the economy of the Netherlands went through a process of 'modern economic growth' between 1585 and 1663. Israel (1989) emphasises that in the seventeenth century the Dutch reached 'hegemony' in world trade and witnessed the 'Golden Age' of the Republic at the same period. What were the main factors in the Dutch expanding economy in its Golden Age? Internal dynamics or external dynamics, or both together?

Among Dutch economic historians, there are three different hypothesis regarding the most important reason for the Dutch economic advance in the early modern period:

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- the importance of the world trade routes in the Dutch expansion (an exogenous factor);
- the rise in productivity (especially labour productivity) in the Dutch economy (an endogenous factor);
- and the effect of the large number of additional workers from outside the Dutch economy (endogenous and exogenous factors) (Van Zanden: 1997: 261-62).

They do not satisfactorily answer this question yet. However, geopolitical and world system analysis must also be mentioned as two significant perspectives for understanding Dutch economic developments in the early modern period.

It can be easily argued that the Dutch Republic saw its greatest prosperity around 1650. Israel points out the role of the state and the importance of the organisation of Dutch trade and shipping in the world. According to him (Israel: 1989: 12-37) this organisation and domination played an essential role in Dutch primacy in the world. The Dutch economy reached its zenith between 1647 and 1672 (Israel: 1989: 197-291). However, trade and industry started to be affected by foreign (French and English) competition and protectionism in the second half of the seventeenth century. Some industries started to decline as early as 1660. Many other industries met the challenge of new conditions quite successfully for a long time but showed a tendency to decline from the eighteenth century.

French historian Fernand Braudel believes that the Dutch supremacy was based on the bulky commodities trade in Europe. In his explanation of the rise of the Dutch trading system, the most significant factor was the problem of grain subsistence, particularly in the Mediterranean area, and more particularly in Spain. The increasing need for grain in the sixteenth century due to the expanding population, and the inability of food supplies to keep up with population growth, meant more demand for grains shipped from one part of Europe to another. He saw this as the basis of the Dutch overseas trading system and success (Braudel: 1972).

According to some economic historians, three main factors played a crucial role in the Dutch expanding economy. First, Northwest

Europe had significant geographic advantages. The Netherlands in particular were located at the intersection of European trade routes, and had accessible sea, three major rivers, and an extensive canal network. This geographic situation helped the Dutch take advantage of the new commercial opportunities (Wilson: 1968; Tilly: 1989; Wallerstein: 1974: 266, 272). Secondly, institutional change and technical and organisational innovations lowered the production and transaction costs for merchants operating in the Netherlands' sphere of influence. Innovations in shipping and shipbuilding were particularly significant in cutting the costs of transport (North: 1981; Wallerstein: 1974: 212-13, 265). Finally, a role was played by the interaction between merchants and the state, or, in other words, by 'Dutch mercantilism' (Klein: 1965, 1969; Wallerstein: 1974). However, as will be explained later, there are different ideas about Dutch mercantilism.

On the other hand, in analysing the rise of the Dutch Republic, De Vries (1984) and Hart (1993) stressed the importance of the high level of urbanisation in the early modern period. An important characteristic of the United Provinces was the high level of urbanisation², and this persisted as the population increased rapidly after 1550 (De Vries: 1984). In the Netherlands, according to Hart (1993), every city had some advantages, and this structure of urbanisation played a key role in Dutch economic development.

Migration and the slave trade were two important factors in the economic development of the Dutch Republic (Slicher van Bath: 1982:

² Jan de Vries stresses two important developments in the early modern period of Western Europe, especially Holland: a large supply of labour (like Van Zanden: 1993a) and the high level of urbanisation (De Vries: 1993: 56). In seventeenth-century Europe the Dutch Republic was not only the leading centre of merchant capitalism. It was also the first European country to have a large urban proletariat, and 'the first in which the urban proletariat formed a large proportion of the total work force'. Even excluding those who worked at sea, well over 100,000 people were employed in the main urban industries. The 'proletariat' in the broadest sense was larger still (Israel: 1989: 355). However, while De Vries stressed the importance of the 'specialisation' in his analysis of the labour force, Van Zanden tried to suggest in his analysis 'proletarianization' in the early modern period of the Dutch Republic.

27), and most of the immigrants³ were highly skilled and, insofar as they were traders, they did not lose contacts with their relations in their countries of origin. The migrants brought with them their capacities, ingenuity, capital and relations (Emmer: 1997: 114-116). And slaves from foreign countries were also important for the Dutch economy of the seventeenth century as a cheap labour force⁴ (Postma: 1990; Eltis: 1997).

It is clear that internal and external dynamics played an important joint role in Dutch economic development. Overseas expansion of shipping and trade, land reclamation and urbanisation, and labour force growth together supported Dutch economic development after the 1570s. As a consequence, productivity rose in agriculture and industry, and capital accumulation increased in the Republic. This process primarily affected sectors that were direct extensions of overseas trade. In other words, trade was generating industry and industry was generating trade. Together these developments accounted for Dutch supremacy in the seventeenth century.

2. Agriculture

Both Van Zanden (1993a: 6-8) and De Vries (1974: 188-92) have estimated that the productivity of the land in the coastal provinces

³ Israel stresses that 'the situation began to change, during the mid 1580s, with the great influx of émigré population, and skills, from the south Netherlands. This was one of the four great west European migrations of early modern times with the expulsion of the Jews from Spain (1492), the Protestant exodus from the Habsburg Netherlands in the 1560s, and the flight of the Huguenots from France culminating in the late 1680s. The transfer of population within the Netherlands from south to north, at its peak in 1585-7, may well have been the largest of these, amounting to over 100,000 refugees and, possibly, as many as 150,000. By no means all the émigrés remained in the north Netherlands... What is most remarkable about the exodus to the north after 1585 is the speed and comparative ease with which the newcomers were integrated into Dutch society and economic life' (Israel: 1995: 308-9). The migrants played an important role in Dutch economic development. For a comparison of the meaning of the migration for the Dutch economy, see also (Van Zanden: 1993a) and (Lucassen: 1997).

⁴ Van Zanden seeks to explain profit formation in merchant capitalism in the same way as Karl Marx did for industrial capitalism, i.e., from the surplus labour of workers engaged in the production of tradable goods. In his analysis, Van Zanden has paid special attention to the slave trade for supplying labour in the Netherlands and he believes that the slave trade was in all respects a typical merchant capitalistic activity in the early modern period (Van Zanden: 1993a: 90).

between the 1570s and the mid-seventeenth century increased by some 50%. However, De Vries believes that the expansion stemmed both from changes in the organisation of production - e.g. increased specialisation among rural households - and from changes in technology. Growth in agriculture presumably reached its peak in the period between 1580 and 1650. But Van Zanden concentrated on the importance of proletarianization in this progress.

By starting in the sixteenth century, land reclamation projects acquired a hitherto unknown momentum with the introduction of new drainage technologies and, owing to the penetration of urban capital into rural areas, new forms of land use. Later, the domestic supply of raw materials and foodstuffs for export as well as for production and consumption at home increased. In fact, agrarian expansion and rising agrarian productivity allowed the relatively high population growth that had begun in about the beginning of the sixteenth century to continue (De Vries: 1974: 56-194).

In most parts of Europe the sixteenth century was a period of strong population growth. At the beginning of the century, within the boundaries of the present-day Netherlands, there were about one million inhabitants, and this number had increased to 1.5 million by 1600 and to 1.9 million by the mid-seventeenth century (Van der Woude and De Vries; 1997: 50-56). Disastrous famines and devastating mortality rates were largely things of the past, as fundamental bottlenecks were removed and growth barriers were lowered. The agrarian basis of Dutch overseas expansion was broadened and strengthened by the further development of rural industries such as papermaking, textiles and shipbuilding. A main factor of industrial growth was the relatively elastic domestic supply of industrial agrarian raw materials - such as colesced, hemp and flax - and the large-scale exploitation of domestic energy resources in the peat districts. This was largely achieved through the innovative activities of enterprising urban capitalists and financiers, busying themselves with the introduction of joint stock and of trading companies for the purpose of agrarian investment and canal construction (Van der Woude and De Vries: 1997; De Vries: 1974: 176-82).

While the urban economies of most other parts of Europe suffered from the crisis during the last quarter of the sixteenth century, Dutch farmers

could benefit from strongly increasing prices. Baltic grain trade played an important role in this process. There was a large increase in the amount of grain imported into Amsterdam from the Baltic at that period (Faber: 1988a: 23). "Because of this supply of relatively cheap grain, Dutch farmers had the opportunity to switch over to the production of other agricultural products with a higher added value. Therefore, Dutch farmers could benefit from the reverse, i.e. prices of livestock commodities rose more quickly than those of grain. At that period, the price of all kinds of special arable products also increased sharply" (Bieleman: 1993: 162). At the same period, this situation caused extensive economic expansion in the Dutch rural economy and created changes in the farming system.

The new (*ley*) farming system began to be used by Dutch farmers at the same time. Thanks to this new system, certain parts of farmland were changed regularly from arable to grass and vice versa, to the benefit of crop yields. Both arable farming and cattle breeding systems appeared as an important new Dutch farming system. There were some important improvements in the production techniques of agricultural products. And Dutch farmers were using all these new techniques. In the sixteenth and seventeenth centuries, the Dutch rural economy witnessed a remarkable increase in production and productivity. The keywords in this process were specialisation and intensification, not only through a larger input of capital, but also through an increasing input of labour (De Vries: 1974; Bieleman: 1993: 177).

In fact, agriculture both in the western and other parts of the Republic started to flourish before the seventeenth century. Dutch agriculture thrived on the rapid growth of the towns and the rising demand for food and industrial crops such as hops and flax in the west. It also flourished stimulated by the need for supplies for the garrisons in the east. Whereas in the west of the country, agriculture became increasingly active, commercialised, dependent on wage-labour, and linked to the urban and overseas market, in the eastern part of the Republic rural society, despite its role in provisioning military garrisons, remained largely static and traditional, consisting of a growing mass of small peasant tenant-farmers who lacked the means to pay wage-labour and relied chiefly on their own labour and that of their relatives. Thus, agriculture in the west

became progressively more specialised and intensive, characterised by very rich crop yields, while in the east there were generally non-specialised, small peasant farms, giving low, or at any rate much lower, yields (De Vries: 1974: 229-235).

It could be said that the extent of the contrast between Holland and the less prosperous provinces is evident even where agriculture is concerned. While the peasants of the eastern provinces lived very much in the way they had lived a century before, agriculture in Holland had received a considerable stimulus from the expanding towns. The market for dairy produce grew, not only because of the requirements of the growing town populations; butter, milk, and cheese were also important in certain branches of Dutch trade, in particular that with England. In response to similar pressures, market-gardening also began to develop rapidly, especially in the region between Leiden and Amsterdam, and such specialised branches of agriculture as cultivation under glass and the growing of bulbs were started. In other words Holland's agriculture began to take on significant commercial aspects, and production for the market brought an end to the days of closed subsistence farming.

Agriculture was commercialised and it can be seen that farmers were influenced in their cultivation schemes by the fluctuations in market prices. They could only adapt their schemes to the price differences of the previous year. On the other hand, the Dutch Republic was dependent on the importation of grain from abroad. For the Dutch, the grain trade was only possible as long as they could safeguard their lifeline to the Baltic through supremacy on the seas. The grain trade was called the mother trade, not only because of its significance in quantities and value, but also because it was the umbilical cord for survival.

After the middle of the seventeenth century, the Netherlands witnessed a fall in the prices of agricultural products. According to Faber and Van Dillen, the prices of agricultural products, and in particular those of grain, showed a greater fall than those of other products. They believe that this can be explained by the fact that, at least from the middle of the seventeenth century, Spain and Italy no longer needed rye and wheat from the Baltic countries (Faber: 1988b; 1988c; Van Dillen: 1970).

3. Industry

In the early modern period, the Northern Netherlands was one of the most highly industrialised areas in Europe, particularly in the textile industry. Especially after 1580, the province of Holland expanded into one of the major industrial centres of Europe (Noordegraaf: 1993: 131). In the Dutch Republic, textiles, brewing, sugar-refining, diamond-cutting, papermaking, printing, delftware, shipbuilding and soap-production industries were important at that period. However, the most important was the textile industry, especially in foreign trade.

At first, the linen industry was the leader. This industry expanded appreciably up to the end of the seventeenth century. It is well known that there was strong competition (even leading to war) between the Dutch and the English in the textile industry in the seventeenth century. The Dutch woollen industry was strong too. Textile products were exported to foreign countries in the seventeenth century.

The Dutch are seen as a nation of traders, but industry was also important. Dutch trade hegemony allowed the growth of a number of industries that were directly dependent on it. These industries, at that time called *trafieken* in Dutch, used imported raw materials or half-finished manufactures and the greater part of their production was exported. Chief among these were sugar refining, the processing of tobacco, and the making of earthenware goods, and they all employed considerable numbers of people (Israel: 1989: 167-8; 6). They could never have developed into significant branches of industry if Dutch trade had not been so powerful and widespread. Similarly, a merchant fleet as large as that of Holland gave rise to many industries serving its needs. First in significance, of course, was shipbuilding, which was concentrated particularly around Zaandam, a few miles north of Amsterdam. This area was the largest centre for the building of ships in Europe in the seventeenth century, though other towns such as Amsterdam itself and Rotterdam, also had important branches of the industry. Besides shipbuilding, the merchant fleet gave employment to large numbers of rope- and sail-makers and others in similar service trades (Israel: 1989: 268-9; 356). Thus the expansion of Dutch trade

stimulated the growth of industry and helped to support an increasing number of jobs.

The most important industrial centres were the textile cities, Leiden and Harlem. Both of these cities profited immensely from the influx of immigrants from the Southern Netherlands in the sixteenth century⁵. These immigrants were important for the new techniques that they brought with them, in particular for the manufacture of new light cloths. These new products not only opened up fresh markets for the Leiden industry, but they also diversified its production, making it much less vulnerable to variations in demand which were liable to affect any of the various branches of industry. Textile production was already improving by 1584, with 27,000 pieces a year, and reached in 1650 more than 100,000 pieces and in 1664 144,000 pieces in Leiden⁶. This means that Leiden was the main Dutch centre of textile production in the seventeenth century.

In the 1660s, Dutch industrial activities reached their highest pre-industrial level. The Golden Age for the Dutch industry was between the 1580s and 1660s (Noordegraaf: 1993: 132-46). At the peak of Dutch economic growth, in the generation after 1650, the cloth industry made a vastly greater contribution to Dutch overseas commerce than during any previous phase of its economy (Israel: 1989: 260). Dutch machinery was a technological pacesetter in the competitive international textile trade. Leiden and other interior inland towns were actually the source of much of the initial capital for Dutch foreign trade. In general, Dutch industries, geared to export, expanded and grew even more competitive during the last third of the seventeenth century (Israel: 1989: 348).

According to Posthumus, the organisation of the Leiden textile sector was based on the putting-out system, involving master-weavers, called *drapers*, working on their own looms and giving out work to dependent weavers. The master-weaver would acquire his raw material from a merchant, who would always remain the owner. On delivery of the

⁵ Many people from Flanders, Brabant and Germany were being attracted to the new textile industrial centres and thus the population of these places grew considerably.

⁶ According to estimates by Posthumus, the proportion of woollen fabrics produced in Leiden can be estimated to have been at least 85 to 90% of total production (Van Zanden: 1993b: 9).

woven pieces, the artisan would be paid a piece-wage. This was a development the city government had not anticipated when drafting the statutes for the New Drapery. In the conception of the New Drapery, the weavers would buy the wool or yarn; after production they were obliged to bring the cloth to a hall, where it received a quality seal and where it was put on sale to visiting merchants. With the vast development of trade, the merchants (mostly former drapers) necessarily got the upper hand. They imported the raw materials from Spain and the Levant and exported the finished products (Posthumus: 1918: 270; 1939: 273-331). In the Dutch textile industry, most of the raw materials had to be imported in this period. And the Levant was an important point of origin for Dutch imports of these raw materials⁷.

Because of strong foreign competition and protectionism, this textile industry began to decline towards the end of the century⁸. Haarlem's linen industry, where the bleaching of imported cloths was very important, followed a similar development, reaching its peak in the mid-seventeenth century. Linen production expanded between 1650 and 1675. The value of Leiden's textile production trebled in less than thirty years. The Dutch silk industry reached its peak in the 1680s (Israel: 1989: 559-65).

The textile industry was one that had mixed fortunes during this period. The decline of the Leiden woollen industry in the last quarter of the century and that of the Haarlem linen industry, which was also beginning to be noticeable, was only partly compensated for by the growth in the weaving industry in the rural areas. The scale of the cloth industry declined around the turn of the century because of the imports of English cloth, now being finished and dyed in England (Israel: 1989:

⁷ The importation of raw materials played an important role in the Dutch textile industry. In this sector, they produced cloths of high quality and with them succeeded in conquering a large part of the international market to the detriment of those who continued to produce 'cloths of the good old standard'. In the economic relations with the Ottoman Empire, trade in textile raw materials was very important. And in the seventeenth century, the Dutch became a very important western nation in this trade in the Levant, together with England.

⁸ By that time, Dutch domination in international trade was clearly threatened by the mercantilist measures of France and England and by the wars with England (1652-54, 1665-67, 1672-74). The threat had come from the consequences of the forthcoming peace with Spain.

411-5; 1995). Other industries also began to decline towards the end of the seventeenth century⁹. Salt-making was still relatively prosperous, but received a heavy blow when the import of raw salt began to decline. The oil-crushing industry of the Zaan area was still prosperous, as was the paper-making industry that was improved technically by the invention of the 'Hollander'. The same is true for the printing, publishing and book-selling industries, all of which were greatly indebted to the arrival of French refugees. Sugar-refining, at a low ebb after 1660, went through a new long period of great prosperity after the beginning of the eighteenth century, and other finishing industries such as diamond-cutting, tobacco, and distilling prospered (Van Dillen: 1970; Israel: 1995: 619).

Amsterdam was an important industrial centre. It was also the world's leading centre for sugar refining and the industry itself has been considered one of the city's most important (Davies: 1974: 185). Violet Barbour (1976) argued that already by the early seventeenth century, sugar-refining was one of Amsterdam's internationally leading industries. There were three sugar refineries in Amsterdam in 1605 and sixty in 1660.

By the early 1660s, the Amsterdam refineries accounted for half of Europe's sugar production and the Dutch took the leadership in tobacco blending and diamond processing (Israel: 1989: 260-69). Indeed, virtually all aspects of the Dutch Golden Age seem to have been present in industry and trade. By virtue of its importance, its concentration on refining 'rich-trade' products and its clear dependency on import and export, the sugar industry embodied Amsterdam's position on the world market.

A number of manufactures in the Netherlands were closely linked

⁹ The relative decline of Dutch power is perhaps not surprising, given the greater economic resources and population of France and England, its chief rivals. Although the Dutch remained successful traders through the first decades of the eighteenth century, the relative decline of Dutch influence in Europe could be first seen by about 1670 or 1680. Some luxury products, such as linen and Delft porcelain, continued to sell abroad, but Holland's textile industry and shipbuilding failed to keep pace with those of its rivals, above all England. Higher wages in the Republic and a lack of technological innovation were at least partially to blame. Furthermore, some Dutch entrepreneurs invested in the colonies, land, government stocks, or even in English manufacturing, not in Dutch industry. Businessmen reduced investment in agriculture and land reclamation as prices fell (Israel: 1989).

with international trade. The two most important traditional export industries were brewing and textiles (Van Zanden: 1993b: 9) and the other one was the copper industry. With copper from Japan and Sweden, the foundries of Amsterdam, Rotterdam and other towns produced guns which were sold mostly to foreign countries, such as the Ottoman Empire.

On the other hand, Dutch local governments were giving large-scale support to promote some industries in the cities. Davids (1995: 177) states that, during the period between 1575 and 1700, municipal governments of Holland (such as Amsterdam, Leiden, Haarlem, Gouda, Delft, Rotterdam, Dordrecht and Alkmaar) contracted with entrepreneurs in order to promote the growth of new firms and branches of industry. Mostly this support took the form of providing cheap capital and labour and protecting their entrepreneurs' market position. In particular, textile production, sugar refining, shipbuilding and glass manufacture were supported by local governments. Central government sponsorship also existed (Davids: 1995).

In fact, from an industrial point of view, the Netherlands was poor in raw materials¹⁰, such as iron and coal which became so important after the Industrial Revolution. According to Slicher van Bath, it was because of the absence of raw materials like coal and iron-ore in the Netherlands, that the Industrial Revolution did not take place there (Slicher van Bath; 1982: 33). He adds that Holland had enough capital for an industrial revolution; the rate of interest was low; and the transportation system was better than in any other European country. It was known that the Netherlands were also poor in textile raw materials, and the Levant played a significant role in supplying this kind of material to the Dutch textile industry in the seventeenth century.

¹⁰ The Netherlands was poor in raw materials but rich in peat deposits. From the sixteenth century on, exploitation of this energy source started on a large scale. This energy was used not only for home heating but also for industrial purposes such as producing bricks, glass, beer, and the like. On the other hand, the Dutch also exploited wind energy on a very large scale. At sea they did so through the ever more massive and rationalised use of sail; on land through the massing of windmills (Van der Woude and De Vries: 1997).

4. Trade

In the period of European expansion, the organisation of trade, especially foreign trade, had the most important role. During the seventeenth and eighteenth centuries, there was a rapid increase in European imports of a whole range of commodities from all over the world, such as cotton textiles, indigo, raw silk, spices, sugar, coffee, tea and tobacco.

The organisation of trade was essential in this progress. It can be said that domestic and foreign-trade strategies were different in the Dutch Republic. Within the Netherlands the main aim was to facilitate transportation and trade, while abroad the primary purpose of trade was to maximise profits from re-exporting world-wide the goods from distant markets.

In the foreign-trade system, we have to deal with regulations, companies and powerful organisations. Of course, the most important organisations in foreign-trade were the companies. The emerging principle of merchant capitalism can be found in the formal constitution of the monopolistic chartered trading companies in England and the Netherlands in the early years of the seventeenth century. Both the English and the Dutch Companies were incorporated into a form of commercial organisation that was quite unique: the joint-stock company, with an incipient separation between the ownership of capital and its management by a professional class of merchants and salaried administrators (Chaudhuri: 1985: 84). Thanks to these organisations the new rising western nations, the English, the French and, especially in the seventeenth century, the Dutch achieved great successes in world trade.

The Dutch had a greater capacity to utilise modern commercial organisations than other nations whose trading and shipping were in no way comparable with that of the Netherlands¹¹. Ordinary partnerships

¹¹ The development of shipping and overseas trade stimulated the growth of related activities such as shipbuilding, the making of precision instruments, and cartography and map production. In cartography, the centre of production, at first in Antwerp and Duisburg, soon shifted to Amsterdam, and it can be said that for roughly a century, from 1570 to 1670, the Low Countries produced in some respects the greatest mapmakers of the world. For accuracy (according to the knowledge of their time), magnificence of presentation and richness of decoration, the Dutch maps of the seventeenth century have never been surpassed. For more information on this topic, see (Tooley: 1962) and (Barbour: 1976).

for commercial and shipping purposes were obviously to be found in large numbers. From early times there was already a comprehensive system whereby credit was granted against security in the form of ships and cargoes¹². The most important progress was seen in the maritime trade organisation of the Dutch Republic.

In the field of maritime transport, the production of the *fluit* ship (*fluyt*) was the Netherlands' greatest achievement (Israel: 1995: 316). The design of the *fluyt* developed from experience with the flyboat. As Unger (1978: 405) stressed, "the fluyt was the outstanding achievement of Dutch shipbuilding in the era of full-rigged ships, the fulfilment of a long period of improvement in Dutch ship design", and it became the great cargo carrier of northern Europe in the seventeenth century. The excellent handling qualities of the ship further helped to reduce the size of the crew, as did the extensive use of pulleys and blocks in controlling the yards and sails. The lightly built fluyt was almost defenceless, and when it carried guns the complement was small; but this, too, was a calculated risk which further lowered operating costs (Unger: 1978: 406-8).

In fact, the Dutch maritime organisations were established before the seventeenth century. The cities of the provinces of Holland and Zeeland always stood apart from the Hanseatic League and proved increasingly serious competitors to it in commerce and shipping, at least from the beginning of the fifteenth century onwards (Van der Woude and De Vries: 1997: 296-99). The development of Dutch cities proves that unprecedented commercial progress was possible without the support of a strong league of towns or of a powerful state authority, and incidentally renders very suspect the view that the commercial decline of the Hanseatic League was due to the absence of a strong state. However, the expansion of Dutch trade was to remain inexplicable. And later, 'convoys' 'directions' and 'companies' played a crucial role in the Dutch trade organisation and in its supremacy in the world of the seventeenth century. The 'directions' model was the main organisation in the Levant trade, while it was the 'companies' in the VOC and WIC (Israel: 1989:16-7; 1995: 345-6; 409). Of course,

¹² Many documents on this topic can be found in the Notarial Archives of Amsterdam

establishing 'merchant colonies' was an important step in Dutch trade organisation.

In the organisation of the Dutch trade system, some institutional, technological and organisational improvements, commercial traditions and behaviour patterns of the merchants and entrepreneurs jointly played a significant role. Some Dutch economic historians have argued that the strength of the staple market¹³ lay not so much in the efficiency of its competitive markets as in the ability of leading merchants to limit competition, indeed to monopolise supplies of commodities and control prices. One of them (perhaps the most important) is Peter W. Klein. By following the explanations of Joseph Schumpeter with respect to entrepreneurial behaviour in modern capitalism, Klein reasons that such exercises in market control, far from subverting the staple market (*stapelmarkt*), actually strengthened it, since merchants able to limit risk exposure would reinvest more of their monopoly profits in its expansion. In this respect, the primary function of the staple market was to import goods and stockpile them for re-export (Klein: 1969; 1992). While Klein stressed the importance of the 'monopolistic aims' of the merchants in the Netherlands, Veluwenkamp (1995; 1996) pointed out the significance of the 'concrete nature of the monopolistic structure' and, especially in foreign trade, the structure of the Dutch 'merchant colonies'. In fact, in the beginning, the importance of the Dutch merchant colonies in the Dutch trade system was pioneered by Jonathan Israel (1986; 1989). He suggested that 'Dutch merchant colonies (...) had always been integral to the mechanism of Dutch world-trade primacy'. He continued that it 'was basic to the working of the Dutch entrepot that Amsterdam had always eschewed local commission agents and all forms of indirect contract and had relied on its own network of factors, often members of the elite Dutch merchant dynasties, sent out from the Republic' (Israel: 1989: 367). By following his explanations, Veluwenkamp, in his analysis, concluded that 'the function of the colonies went through two main stages. Initially, in the late sixteenth century and the first half of the seventeenth century, they were instrumental in the expansion of Dutch

¹³ For more information on the Dutch staple market see (Lesger & Noordegraaf: 1995).

staple trade. Via the colonies, the Dutch spread international supply, demand and commerce across Europe and the world and drew new regions into the circle of the international marketplace. Subsequently, in the course of the seventeenth century, when markets were lost as the international exchange of commodities began to pass the Dutch Republic by, the colonists again found and developed new markets, this time for the purchase of raw materials and the sale of finished products on behalf of the Dutch export industry, facilitating the transition of the Dutch commercial system to a new phase' (Veluwenkamp: 1996: 164). I agree with these explanations and I believe that the 'merchant colonies' of the Dutch were very important as a strategy for realising maximum profit in the world.

5. Foreign Trade

The Baltic trade was the most important area in early Dutch foreign trade. In the sixteenth century, the value of foreign-trade turnover was many times larger in the South than in the North. At that time, the international central entrepot in Europe was not Amsterdam, but Antwerp (Israel: 1989: 5, 34). Commodities from all over the world were sold in Antwerp: salt, wine, silk, cloth, spices, sugar and colonial products. Antwerp merchants also initiated the Dutch Mediterranean and the Levant trade. After the fall of Antwerp in 1585, Amsterdam emerged as the international entrepot for Dutch foreign trade, attracting commodities from all continents. An entrepot had the obvious advantage of concentrating supply and demand, thereby reducing commercial risks. This led to a fall in prices and paved the way for the expansion of commercial activities.

Towards the end of the sixteenth century, trade relations were established with a number of hitherto unexplored areas, which helped the Dutch to extend their lead in international long-distance trade. According to Braudel, after the expansion of population the most significant thing was the supply of food and subsistence grain products, particularly in the Mediterranean and Spain. The main role was played by the Dutch in the carrying trade and the grain trade at that period.

He believes that this was the basis of the Dutch foreign trade system (Braudel 1972). According to Israel, before 1585 the Dutch economy, based on shipping, bulk-carrying, fisheries and agriculture, had generated few export-orientated industries and none of the skills or trained operatives needed to process high-value commodities. He noticed that Dutch world trade primacy - based both on the Dutch entrepot role, after 1590, as a general reservoir of commodities of all types, and from all parts of the world, both high-value and bulk, and on an incomparable mass of shipping with which to bring the goods in and out - lasted almost a century and a half (Israel; 1995; 310-13). As Israel points out, the significance of the domination of the 'rich' trades - the traffic in luxury goods, or high-value merchandise of low bulk - that had been such an outstanding feature of the Antwerp trade, had always been lacking in the North. Domination of the 'rich' trades was vital to the development of Dutch primacy in the world trade (Israel: 1989: 30,40, 408).

Foreign trade was hazardous and more risky than domestic trade, owing to the greater uncertainties in foreign supply and demand. A great extent of risk aversion was therefore required. Consequently the cost of risk avoidance would be higher too. There were a great number of ways and means of risk avoidance. One of them was, of course, switching from foreign trade to a domestic activity. Private decision-makers could choose from a host of other opportunities. They could vary and increase their mix of activities, they could resort to insurance, and they could avail themselves of government support. Government assistance was, however, not warranted in all cases and circumstances. It was likely that the taxpayers would be left with an unduly high burden of risk-taking, which probably was not the case when the United Provinces came into being. Foreign trade was also limited. Consequently, risk aversion was cheap. Under these conditions there was probably more good than harm in the implementation of low customs duties. They actually helped the Dutch entrepot towards its monopolistic hegemony (Klein: 1966; 1969; Wallerstein: 1974). It seems likely that the cost of commercial risk aversion was rising during the first half of the seventeenth century, as Dutch foreign trade was

expanding strongly into new, far-flung and unfamiliar markets. Risk and uncertainty must have risen accordingly. The average cost of trade increased, following the rise in marginal costs, which in turn was induced by the greater effort of risk aversion. After the middle of the seventeenth century, rising foreign competition probably began to reduce the returns from trade as well.

As has been mentioned before, Amsterdam was also the finance centre of Europe at the same period. In this respect, Barbour stated that a further aspect of the economic power of Holland was the supremacy of Amsterdam as a money market. European trade in capital was in the hands of the Dutch, perhaps even more completely than in shipping, and the merchants and financiers of Amsterdam left little room for those from other towns as far as this specialised business was concerned. The founding of the Exchange Bank at Amsterdam in 1609 helped to raise the town's capital market to its position of European dominance, and to keep it there (Barbour: 1976).

Immanuel Wallerstein (1974) gave special importance to the role of Amsterdam in the finance sector of the seventeenth century. However, the financial sector of the economy remained prosperous. From the enlargement of the stock exchange building in 1660 it appears that the Amsterdam Bourse drew an increasing number of visitors, a great number of whom were foreign businessmen. Amsterdam had also become an important financial centre as the international staple-market of goods and bullion. After 1683 it had become possible to deposit specie with the Exchange Bank which resulted in a considerable increase in the trade in specie.

The Baltic Trade

From the beginning of the fifteenth century, with the growth of their strength and their commercial initiatives, the Dutch merchants were active in the Baltic trade. Until the end of the sixteenth century, Dutch trade was mainly concentrated in Northwestern Europe and in the Baltic area in particular. The Baltic trade was, and always remained, the most important branch of the commercial activities of the northern Netherlands until the last quarter of the sixteenth century. Even when, centuries later,

the United Provinces launched themselves successfully into trade with the Americas and the Far East, trade with the Baltic was still very important, so much so that it was referred to as the 'mother trade'.

Trade with the Baltic consisted, above all, of exports of salt, fish and wine, and of imports of bulk goods of low unit cost such as flax, hemp, and particularly grain products, wood, tar and timber. For the Dutch, trade to the Baltic was all-important: it dominated the corn trade of Northern and Western Europe, and it is often thought to have been the mainstay of the whole of Dutch economic life in the seventeenth century.

The great expansion of Dutch trade came in the first half of the seventeenth century, and reached its peak around the middle of the century (Israel: 1989: 189). It can be said that in that century the Dutch recognised the trade in grain from the Baltic as a critical factor in the economic health of the Dutch Republic. The Baltic grain trade was dominated by Dutch merchants and Dutch shipping to a notable degree: until the middle of the seventeenth century; about half the ships passing yearly through the Sound to reach the Baltic ports were Dutch. During the second half of the sixteenth century and the first half of the seventeenth century prices had been rising, but about 1650 they began to fall. This proportion fell in the second half of the century and this change was one of the important signs that the end of Dutch commercial hegemony was approaching (Faber: 1988b; 1988c).

It can be easily argued that in the first half of the seventeenth century, the Baltic trade and shipping were in the hands of the Dutch. The composition of the Baltic trade and the overwhelming significance of the Dutch in it is well known because Danes were able to levy tolls on almost all the international shipping which passed through the only navigable passage from the Baltic to the North Sea. The records of the tolls at the Sound have survived in great detail from the end of the fifteenth century, and, making due allowance for omissions, smuggling, errors of interpretation and the like, they give the researcher a fairly reliable picture of the Baltic trade patterns. Of the ships which passed through the Sound from 1550 to 1650, the Dutch share of imports into the Baltic fluctuated around 50 percent for salt, 60 to 80 percent for herring, more than 80 percent for Rhine wines. Among exports from the

Baltic to the West, grains were a major commodity (about 65 percent of total exports around 1565 and some 55 percent in 1635). The Dutch share of the grain trade fluctuated around a long-run average of about 75 percent (Christensen: 1941).

The Baltic trade was affected by some wars and political difficulties in the sixteenth and seventeenth centuries. "The falling of trade in 1574-1580 is associated with the Dutch revolt against Spain. The war between Sweden and Poland from 1621 to 1629, Denmark's involvement in the Thirty Years' War in Germany from 1625 and Sweden's involvement in the same war from 1631 caused serious trouble in the Baltic... The period from 1651 to 1680 began with a body blow to Dutch trade and shipping in the form of the Navigation Act passed in England in 1651. The period also saw a whole series of wars in Western and Northern Europe: the first Anglo-Dutch War of 1652-1654, a war between Sweden and Poland from 1655 to 1660, a war between Russia and Poland from 1655 to 1660 and a war between Sweden and Denmark from 1657 to 1660. Next came the second Anglo-Dutch War from 1665 to 1667, the third Anglo-Dutch War from 1672 to 1674, a war between the Netherlands and France from 1672 to 1678, a war between Denmark and Sweden from 1674 to 1679 and a war between the Netherlands and Sweden from 1675 to 1678... In the decade 1691-1700, trade between the Netherlands and the Baltic was affected by the war between the Netherlands and France (1688-1697) and by difficulties first with the Danes and then with the Swedes" (Faber: 1988a: 17-19).

The East India Trade (VOC)

The European explorations in Asia, Africa and the Americas during the sixteenth century helped set the stage for the great expansion of world commerce in the seventeenth century. State-chartered monopoly trading companies were formed in the few countries that were able to consolidate the capital and expertise required for long-distance overseas trade. For entrepot countries, such as Holland and England, a primary purpose of trade was to maximize profits from re-exporting to Europe the goods of distant markets. To realise this purpose, the new rising western nations established strong companies for international trade.

These companies shipped low-bulk, high-value spices to European markets, bringing substantial rates of return. In this respect the Dutch East India Company (VOC) played an important role for Dutch international trade and economy.

After 1592 English privateers captured more and more Portuguese ships carrying pepper from the Indies, so the price of pepper on the Lisbon market increased considerably. Consequently Dutch merchants began to consider sending their own ships to the Indies, in order to bring the spices directly to Dutch ports. Capital in the Dutch cities had increased, not only because commerce had developed favourably, but also because a number of wealthy Antwerp merchants had settled in the Republic after the surrender of 1585 (Gaastra and Blussé: 1981: 50-9). In the last decade of the sixteenth century, several efforts were made to reach the 'spice islands' and in 1597 three ships succeeded, for the first time, in reaching their homeports. When, in November 1598, the new Spanish king, Philip III, confiscated all Dutch ships in Iberian ports and prohibited all trade with the young republic, a Dutch squadron of eight ships was already on its way to the Indies. In 1602 the Dutch merchants were united in one company, the 'Verenigde Oostindische Compagnie' (VOC). The first years were difficult. The Spanish embargo had an important influence on Dutch trade (Gaastra and Blussé: 1981: 48-61).

In the early seventeenth century, the newly formed Dutch East India Company found its way to India, increasing its ability to control seaborne trade and diverting much of Asia's land trade with Europe to the sea route around the Cape of Good Hope. Now, not only were pepper and other spices finding their way to Europe by sea, but cotton piece goods, silk, indigo, saltpetre, sugar, tea and coffee also arrived in Amsterdam by sea (Prakash: 1985: 183-221; Furber: 1976: 31-79). Unlike the Portuguese, both the Dutch and English companies participated in intra-Asian trade. For much of the century, the Dutch attempted to support their purchase of Asian merchandise for the European market by profits from trade between India and the Indonesian archipelago. Because of this emphasis and because the Dutch East India Company was better capitalised, Dutch intra-Asian trade was larger than that of the English until the last quarter of the seventeenth century (Boxer: 1970).

The founding of the Company had been preceded by a number of voyages to the East on account of the so-called pre-companies. During the Truce of 1609-1621, the VOC defiantly expanded its operations in Asia, sending to Asia 76 ships carrying 8,500 men between 1602 and 1610 and 117 ships and 19,000 men between 1611 and 1620 (Bruijn and Gaastra: 1987). The ships were still relatively small, but the value of the cargoes was disproportionately high. These early merchants had found that the most important medium used by Asian merchants to procure Indonesian spices was Indian textiles which were in great demand in the region and afforded a high profit. The bulk of these textiles were comparatively cheap and coarse in quality. These possibilities attracted the Dutch merchants who formed a strong organisation in the region.

The VOC played a big role in overseas trade. Operating control of the company was in the hands of shareholders, because it derived from the political compromise among the six cities written into the original charter. This allowed, indeed encouraged, foreign investors, because their participation would increase the working capital available to the Dutch without infringing on their power to control the far-flung enterprise (Bruijn and Gaastra: 1987). The features of the VOC were only gradually adopted by the English East India Company (EIC). The EIC made its capital permanent in 1650 and allowed foreign ownership at the time of renewal of the charter in 1698.

In the seventeenth and eighteenth centuries, the VOC also played an important role as an employer in the economy. The VOC had almost one million people in its service during its existence from 1602 until 1799. This means that, during each year of the seventeenth century, nearly 4,000 of its employees embarked on the long trip to Asia. In the eighteenth century, this number rose to almost 7,000 per year. The majority of these were sailors or soldiers, with the rest made up of commercial functionaries, bookkeepers, clerics, artisans, surgeons and clergymen. They were all bound by an oath to serve the Company for three, five or more years in a number of different locations. However, it is estimated that nearly sixty percent of the soldiers and around forty percent of the rest of these seafarers were of foreign origin, with the majority coming from Germany (Gelder: 1997).

In the mercantilist age, the Dutch East India Company, together with the English equivalent, was the new organisation model for international trade of the new merchant capitalism. The two of them were the first joint-stock companies in the West. "The principle of armed trading introduced by Portuguese conquistadors in the Indian Ocean was taken over by the Dutch and English East Indian Companies without any attempt to find an explicit justification for the practice... The fact that the policy of armed trading could be successfully implemented and even made to pay in the case of the VOC was due to the collective financial strength of the East India Companies. Both the Dutch and the English corporate organisations represented, at the height of their commercial careers, a concentration of capital and economic power that was as unprecedented as their naval and political might. Both the companies had become important banking and financial institutions, comparable to the national central banks, and the bonds issued by them enjoyed a measure of confidence from the investing public that was in many ways superior to the status given to the state bonds" (Chaudhuri: 1990: 439-40). The East India Company, as a joint-stock institution, was the ancestor of the modern multinational companies operating in many different geographical environments and dealing with a large number of products. This was a characteristic it shared with the large and successful private merchants who also diversified their business and areas of operation.

Meanwhile, Dutch Atlantic activity was co-ordinated by the West India Company (WIC), set up in 1621 on the model of the VOC. The WIC was granted a monopoly on trade, transport and product sales in the Americas and West Africa and sovereign rights to make treaties with non-European rulers for twenty-four years.

In the 1630s, this company seemed to set out on a promising military and economic adventure in Brazil, the Portuguese colony that had developed into the world's largest sugar producer. A number of captaincies fell into Dutch hands, sugar plantations in the new territories were set up or taken over from Portuguese planters, and, to meet the need for slave labour, the Dutch organised voyages to Western Africa and Angola.

The Mediterranean Trade

In the last quarter of the sixteenth century, Dutch trade began to appear in the Eastern and the Western Mediterranean and increased in the next century. It can be said that after the Baltic area, the Dutch merchants were increasing their activities in the Mediterranean, especially after the 1590s.

Braudel stressed that there were two significant periods in the passage of ships from the Atlantic to the Mediterranean: the first roughly between 1450 and 1552, the second after 1570 or rather 1572-1573. He also states that the second one consisted exclusively of northern ships. The route to the Mediterranean with all its advantages was permanently opened to the North (Braudel: 1972: 606). As for the second period, Braudel believes that the return of the English was connected with the tin trade, while it was the grain purchases by the Mediterranean countries that was determinant for the Dutch in the last decades of the sixteenth century (Braudel: 1972: 629). In his opinion, Baltic grain played a key factor in Dutch Mediterranean trade from the end of the sixteenth until the mid-seventeenth century. By contrast, Israel pointed out that for Dutch trade the 1590s marked the beginning of commercial supremacy in the region, by stressing the importance of the 'rich trades' traffic in spices, silks and cloth as was mentioned above.

Mediterranean countries had been able to obtain their food-supplies from the Mediterranean area. From the late sixteenth century, however, grain coming from North-European countries reached the Mediterranean in abundance. Towards the last decade of the sixteenth century, Dutch ships, which came from the North and sailed to the eastern part of the Mediterranean, began to appear in the Levant. In Mediterranean countries, most ships carrying grain were basically North-European in origin.

Israel (1989) assesses that the emphasis in Dutch foreign trade shifted from bulk to 'rich' trade, i.e., from the Baltic in particular to the Mediterranean and Asia. Antwerp merchants played an important role in the initial stages of Dutch trading activities in the Mediterranean. From the second half of the sixteenth century, Flemish merchants from Antwerp started to have dealings with the most important maritime cities in the Levant and in the Western Mediterranean and they must have been even more significant after the fall of Antwerp. And from the 1590s onwards

Dutch shipping and trade expanded to the whole Mediterranean area, i.e. both the European and the African shores.

From the beginning, political conditions played a key role in Dutch Mediterranean trade, with the major breakthrough taking place during the truce between 1609 and 1621 and the expansion momentum being regained after 1648. Israel (1989) argues that the improvement of the political situation after 1609 coincided with a shift in the goods exchanged: from grains to salt, spices and naval stores for silver and silk.

In the seventeenth century, although the centre of trade (we can say the centre of the world economy) left the Mediterranean, commerce in the Levant continued in considerable volume. The new leading commercial powers of the century - the French, the English and the Dutch - had engaged in strong competition for exploiting the opportunities of the Western and Eastern Mediterranean. For the first quarter of the seventeenth century, Venetian observers in Istanbul wrote in dismay that English and Dutch woollens were driving Venice's woollens out of the marketplace. Furthermore, the newcomers sold shoddy goods at a fraction of the price of the fine, expensive Italian cloth, daring to mimic Venetian styles and colours. By the 1630s, Venice's share in the Istanbul emporium was only one quarter of the total trade (Rapp: 1976), and the competition was between the English and the Dutch.

Dutch competition was not only with France and England. The Venetians also competed with the Dutch. They tried to be as independent as possible from the Dutch and other foreigners in the region. In her study on the Dutch merchant activities in the Western part of the Mediterranean, Marie-Christine Engels stated that the English were the Netherlands' most important competitors in the Mediterranean and that, especially during the 1620s, their trade gained in significance. She added that the French and the Venetians knew how to increase their power in the same period too (Engels: 1997: 55).

Corsair activities were a very serious obstacle in Dutch Mediterranean trade. Especially in the beginning of the seventeenth century, Dutch trade suffered from attacks by the Barbary and the Dunkirk corsairs. Corsairs from North Africa, Italy and England were a serious trouble for the Dutch Mediterranean trade. Ironically, the Dutch seaborne trade to the

Mediterranean also suffered from their own countrymen who invested in Dunkirk corsair ships (Engels: 1997: 63-64). That is why it was very important for the Dutch Republic to establish a long lasting peace with the Ottoman authorities in the region, with North Africa, Algeria and Tunis. However, for the Dutch Mediterranean trade the most important thing was to establish diplomatic relations with the Ottoman sultans in Istanbul in order to solve all the problems of that region.

Dutch commerce to and from Italy in the form of the carrying trade in bulk commodities, such as North European grain, expanded in the late sixteenth century and in the first decades of the seventeenth century¹⁴. In the Dutch Mediterranean trade, there was also a strong connection between Spain and the Italian peninsula. Carriage between Spain and Italy could be very profitable in the seventeenth century for the Dutch merchants. The Dutch therefore frequently had to hire their ships to Italians in order to earn money transporting products needed in Italy from other parts of the Mediterranean. They were interested in both the bulky and the luxury goods in the region.

It is known that in the first quarter of the seventeenth century, Dutch ships exchanged their northern bulk goods in Spanish ports for silver, and loaded Iberian salt and wool. With the silver they sailed to the Levant, while the cargoes of salt and wool were sent to Italy. This shows that Dutch merchants were present in all parts of the Mediterranean.

In terms of supporting Dutch Mediterranean trade, the Dutch Republic tried to establish some organisations. The directorates for the Levant Trade and Navigation, established by a number of towns in 1625 at the request of prominent Levant traders, enjoyed public authority while remaining private associations (Klein: 1965: 314-3; 1966). Although these bodies, staffed by interested merchants, were not directly involved in Mediterranean trade and shipping, they effectively supervised and controlled it in order to limit the extremely high risks in these waters, much infested with war, privateering and piracy. The Dutch government lent a further helping hand by establishing, between 1610 and 1625, about

¹⁴ For more information on the Dutch Western Mediterranean Trade, see (Engels: 1997); (Israel:1989), and (Braudel: 1972).

twenty diplomatic and consular posts in these dangerous areas, with the goal of safeguarding the security of the much-plagued merchant marine against maltreatment and official or unofficial robberies. Significantly, Dutch diplomats at these posts were left to see to their own rewards. Their income derived from the right to collect shipping duties, supplemented by the proceeds of illicit trading.

It is well known that Dutch trade had a remarkable organisation in the so-called 'directions'. In terms of 'direction', the Dutch merchants, in Amsterdam, established a strong organisation for the Levant trade in 1625. Before that there were, to all appearances, purely fortuitous associations of Dutch merchants trading with delegates or representatives in common for negotiations with local officials. The proposal of the ambassador was due to the desire to afford as much protection as possible to ships by supervising them before their departure from the mother country, particularly against the Algerian pirates. For the 'directions' were not associations of merchants, or a bond of union between them, but a board appointed by the authorities in the home country, though consisting of seven (later eight) merchants who had the right to levy taxes and exercise administrative powers. It was a corporation. The 'direction' of the Levant trade was in itself influential and attained a special significance by the fact that it existed when Dutch trade was at its zenith.

After the middle of the century, Dutch trade was flourishing in both the Eastern and Western Mediterranean. And the Levant trade yielded good profits for domestic cloth producers. While in the first decades of the century Aleppo was an important trading centre for the Dutch, in the second half of the century Izmir became the main trading centre for them in the Levant. At that time, the Dutch were an important western trading nation in the Levant. Towards the last quarter of the century, competition from the English and the French became very strong and the Dutch lost their significant position in the Eastern Mediterranean.

6. Conclusion

After the beginning of the revolt against Spain, the Dutch economy began to grow quickly in all sectors, agriculture, industry and especially

trade. Despite the war of independence against Spain, the Dutch economy developed more rapidly during the first half of the seventeenth century than did the economies of its competitors, England and France. The Dutch economy witnessed its Golden Age between 1580 and 1670, with its hegemony in Europe and in world trade. During the early modern era, the Dutch became the economic leader of Europe.

At the beginning of the seventeenth century, the new expansion of cities, the reinforcing of city fortifications, harbour improvements and proud new civic structures all absorbed vast amounts of capital. In the rural areas, larger farm buildings that spread across the Maritime Provinces constituted a veritable rebuilding of the rural economy. Hence by the 1650s the Dutch economy achieved big successes in its agricultural, industrial, and trading sectors and Dutch shipping played a significant role in this development. However, the growth of trade was the prime mover of the Dutch economy throughout the early modern period. And the increase in productivity in the shipping industry was in large part due to the spread of an innovation.

The development of a new cargo-carrying sailing ship called the *fluit* was a major advance. The carrying capacity of the ocean shipping fleet had grown at an average annual rate of 1 percent for a century while its productivity had been enhanced by improved ship designs. The total volume of agricultural output per worker had increased in the sixteenth and seventeenth centuries, as increased trade orientation had permitted an intensified pursuit of comparative advantage via specialisation. In industry, the numerous examples of technological improvement, capital investment and energy intensiveness support the view that output and labour productivity increased substantially. At the same time, the staple market was firmly embedded in a specialised domestic economy equipped with a large stock of capital embodying the most advanced technology of its time.

After the middle of the century, the Dutch faced strong mercantilist competitors, the French and the English, both in European and in world trade. The three naval wars with England and, especially, the French invasion of 1672, disrupted Dutch trade profoundly, while the tightening noose of mercantilist restrictions by the Dutch Republic's trading partners

forced major adjustments in all sectors of the economy. For those reasons the last quarter of the seventeenth century almost certainly brought about an absolute decline in the total output of the Dutch economy. France and England followed strong mercantilist policies in world trade. It can be said that the Dutch witnessed a 'crisis' in its economy in the last quarter of the seventeenth century through facing strong mercantilist competition.

The Dutch were also 'mercantilist'. However, the concept of 'Dutch mercantilism' was different from the English and French concept of mercantilism. The main difference was Dutch pragmatism. Dutch foreign trade policies were always pragmatic. This was the main characteristic of 'Dutch mercantilism'. However, Dutch prosperity was not based on mercantile success alone.

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