

The Rise of Commercial Empires England and the Netherlands in the Age of Mercantilism, 1650-1770

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The history of the early Dutch Republic is sometimes coined: 'a miracle'. How was it possible that against all odds such a small country on the shores of the North Sea could have become the premier trading nation of the world during much of the seventeenth century? And there were many odds against it. First of all, the Dutch had to wage a constant war against the sea. There were few countries where the population had to invest so much an infrastructure aimed at keeping large parts of the country from flooding. Second, the Dutch had to invest heavily in a protracted war against Spain in order to have the type of government they desired. Third, the Netherlands were a religious amalgam and at the time religious divisions usually caused internal strife if not civil war. In view of all these drawbacks it indeed seemed a miracle that the Dutch primacy in world trade came about at all. The beginning of the Dutch road to primacy in world trade is usually situated at the end of the sixteenth century and its end either after the third Anglo-Dutch war (1672-74) or after the War of the Spanish succession (1701-1714).

Strangely, the commercial ascent of England, Wales and Scotland has not been labelled as a miracle. Yet, in many ways, the growth of British trade has been more spectacular and long-lasting than that of the Netherlands. The beginning of the British primacy in world trade came about during the second half of the seventeenth century and lasted until the beginning of the twentieth century. Even more miraculous is the fact that Britain's primacy in world trade helped to make it the first industrial nation in the world. The industrialisation of the Netherlands, on the other hand, took place long after the Dutch had lost their premier

position in international trade. David Ormrod's new book attempts to untangle the dynamics, which fuelled England's commercial ascendancy, and those which underpinned the Dutch decline across this period. Yet while the work clearly represents the scholarship of a lifetime, there are areas of the study - notably Ormrod's discussion of English and Dutch operations in the East and West Indies - which perhaps deserve more investigation. Recent scholarship has shown that Britain managed to profit much more from the 'new' economy created by the opportunities outside of Europe than France, Spain, Portugal, and the Netherlands.

In the period between 1650 and 1770 the Dutch and the British commercial empires changed places. Why this happened is not easy to explain. There seems little doubt that the commercial sector of the economy was the most innovative one. Changes in the rate of innovation were neatly reflected in the volume and direction of trade more so than in agriculture or even manufacturing. And it even seems possible to differentiate between the trade within and outside Europe. The trade across the Atlantic, to Asia and the Mediterranean probably involved more innovative merchants, shipping firms and financiers than the more traditional trades in Europe. That is not to say that the latter was not competitive. In fact, David Ormrod's book contains extensive information on the intricate Dutch trade network of the early seventeenth century and the subsequent inroads into this network made by the British.

I will leave aside the question as to what extent trade contributed to the growth of the Dutch and British economies, because trade was at least twice as important to the Dutch economy. Ormrod's careful analysis shows that for most of the seventeenth century, the Netherlands and notably Amsterdam possessed the best distribution system in Europe. However, after 1650 English shipping and English merchants challenged this Dutch hegemony. Thus most of the book is devoted to information about and discussion of the growth of British commerce after this date. The author sees the Navigation Acts as an effective instrument of protection to help British shipping and British manufacturing on their way. He also points to other factors over time that help explain the decline of Dutch trade and the rise of Britain to commercial primacy. The export of unfinished textile products from Britain declined, as did the British dependence on the Dutch staple market for selling finished products. British shipping became more competitive, as shown by the number of ships passing the Sound between Denmark and Sweden, once the mainstay of the Dutch commercial network in the seventeenth century. Around 1660 the British share in trade with the Baltic was a mere 6 percent, while stood at about 30 percent a century later. Another indication of increased British competitiveness in shipping can be seen in the rapid decrease of foreign vessels clearing from British ports. At the end of the seventeenth century this ran at about 40 per cent, and it had declined to less than 10 in 1750.

The performance of the Dutch and British commercial sectors outside of Europe is especially suited to an analysis of their strong and weak points. Shipping and trade to non-Western destinations has been well recorded in ways that allow for comparison. In view of this it seems a pity that Ormrod has not devoted a special section to the Dutch and British competition in Asia and the Atlantic. At one giant stroke the Dutch moved far ahead of the British as far as the trade with Asia was concerned by establishing a monopoly company as early as 1602. However, over time the British East India Company (EIC) was able to challenge the dominant position of the Dutch East India Company (the *Vereenigde Oost Indische Compagnie*, or VOC) by moving into new trades, by importing new products, and by allowing British subject to trade freely in Asia. After the EIC lost its monopoly, 'the English company was characterised by a greater degree of public accountability than its Dutch counterpart' (p. 203). In the course of the eighteenth century, the difference between the EIC and the VOC became the difference between profit and loss. In the end the VOC became a burden to the Dutch economy, tying up large sums of investment capital that could have been used elsewhere in modernising the economy. Ormrod's judgement is wry, but devastating: 'Although much has been claimed for the VOC as a well-managed bureaucracy, it is far from clear that the commercial companies were well placed to respond to changes in demand patterns as the seventeenth century progressed' (p. 54).

A similar comparison in the Atlantic provides us with even better insights into the differences between the Dutch and British commercial empires. After creating an Atlantic counterpart of the East India Company, the Dutch West India Compagnie or *West Indische Compagnie* (WIC), the Dutch broke the weakest link in the defences of the Iberian New World by conquering part of Portuguese Brazil. That was a mistake and

between 1621 and 1654 the 'Brazilian Adventure' cost the Dutch merchant community dearly. While the Dutch were keeping the Iberians at bay in the South Atlantic, France and the England took advantage of the Dutch preoccupation to conquer a sizeable part of the Caribbean. The Dutch rivals started colonies of white settlement producing tobacco for the export market. Clearly, the WIC was far less effective in the Atlantic than the numerous British small-scale trading and planting companies.

A second deviation from the pattern of the British activities in the Atlantic was the relatively large volume of the Dutch transit trade. Recent research has shown that the illegal trade to and from Spanish America, in addition to the transit trade to and from the French Caribbean, was worth more than the total value of the Dutch plantation produce. The Dutch preference for transit trade can be explained by the fact that it required much less investment than did plantation agriculture. The drawback was, however, that the Dutch had no control over the volume of that trade.

A third difference between the British and the Dutch experience pertains to the way the two countries financed their West Indian activities. The British plantations received a steady inflow of investments, albeit much of it short-term. Part of that inflow was the capital that a new planter took with him to the West Indies and another part was provided by merchant houses that had specialized in the importation and sale of plantation produce and that were used to advancing loans and mortgages to their West Indian customers. A similar pattern held for the Dutch Caribbean down to the mid-eighteenth century, but then the nature of the financing changed. Small groups of Amsterdam investors began to offer large mortgages to West Indian planters in Suriname as well as in the newly acquired British 'Ceded Islands'. There was also a European-wide move away from buying government bonds and other low-risk instruments of investment, toward high-risk 'bubbles'. Dutch investors were part of this pattern but were unusual in placing their high-risk investments in the West Indies. The result was disastrous. The total amount of mortgages provided to the West Indian planters far exceeded the ability of the planters to pay the yearly interest on these mortgages, let alone the principal. After 1773 this situation resulted in a wave of bankruptcies and soon the majority of the plantations came to be owned by the mortgage-holders. As a result the level of investment fell dramatically after 1776, severely hampering the expansion and modernisation of the Suriname plantations. The Dutch were unable to develop a new plantation frontier, as the British, the French, the Brazilians, and even the Spanish were able to do. Only after the British takeover in 1796 did some ex-Dutch plantation colonies expand due to the influx of capital and planters from Britain.

Toward the end of the eighteenth century the retarded development of the Dutch plantation colonies is best illustrated by the decline in slave arrivals. Before the crash on the Amsterdam stock exchange, planters used bills of exchange drawn on the merchant houses in the Netherlands (their source of mortgages) in order to pay the captains of the slave ships. That meant that slaving firms could obtain full payment for their slaves upon the return of the slave ship to its homeport. After 1775 this method of payment ceased suddenly, as most bills of exchange were no longer honoured in the Netherlands. As a consequence, the shipping firms themselves were forced to collect the price of their slaves in cash or in kind from the planters. Full payment for a slave cargo often took many years. This explains why the Dutch slave trade declined by 80 percent during the last quarter of the eighteenth century, while the British slave trade was able to continue growing. In order to survive at all the Dutch slave trade needed government aid in the form of suspension of customary taxes and levies.

The continuous growth of the British trade in the Atlantic was in part based on an emerging superiority in productivity, a pattern suggested by the fact that an increasing number of British slavers were able to sell their slaves outside the British West Indies. Part of the viability of the British slave trade rested on the way in which those who bought slaves in the West Indies paid for them. In the Dutch case, the slave traders had to accept the bills of exchange directly from the planters and these bills were drawn on the merchant house in the Netherlands handling the commercial affairs of the planter. In the British case, the bills came from the agents of these metropolitan merchant houses residing in the West Indies. This set-up provided the British slave traders with much more security than their Dutch counterparts. Yet, the buying power of the planters in the British Caribbean must have also contributed to the relatively high profit rates of the British slave trade, as the planters in the British West Indies enjoyed incomes that were in part based on the protective tariffs for

their sugar on the British home market. The British consumer not only bought much more sugar than his continental counterpart, but also had to pay more for it than elsewhere. The figures are telling. In the 1720s Britain re-exported about 20 percent of its sugar to foreign markets and during the last quarter of the eighteenth century this had fallen to less than five percent. The planters in the Dutch West Indies, on the other hand, did not receive such a subsidy and had to compete with the most cost-effective producers anywhere, resulting in relatively low profits in the slave trade as well as in plantation agriculture.

The plantation slave economies in the New World received a new lease of life after the American War of Independence. The Dutch alone proved unable to respond to this new Atlantic challenge. They failed to develop a new plantation frontier and they failed to take advantage of the increased demand for slaves outside their own colonies. Between 1785 and 1805 the value of the Suriname exports of sugar, coffee and cotton declined by 20 percent despite rising sugar prices, and the Dutch slave trade fell by 75 percent. Why were the Dutch such an exception? Usually, the reasons for this unique decline are attributed to international political factors outside Dutch control, such as the loss of Dutch neutrality during the War of American Independence and the Anglo-French Wars after 1795. However, the poor performance of the Dutch plantation sector and the Dutch slave trade during ten years of peace between 1784 and 1794 suggests that the Dutch private sector was unable to cope with the new challenges of the Atlantic slave economy. It was in the slave trade that the failure of the private sector in the Netherlands showed most clearly. All other national carriers not only managed to transport more slaves but also to decrease shipboard mortality. Only Dutch slavers experienced a decline in the number of slaves carried and an increase in mortality. Dutch slave vessels supplied so few slaves to the Dutch colonies that the planters of Berbice decided to legally admit British and North American slavers in the colony until The Hague reversed the decision. Even the introduction of the Dolben Act (1788), restricting the number of slaves on board British vessels and therefore British ability to compete, did nothing to increase the Dutch slave trade.

The number of sugar plantations in the Dutch West Indies barely increased. On the new slavery frontier British planters were able to produce sugar without the protection of their products on the British home market. In addition, British planters were able to produce cotton more competitively than the Dutch without a protected domestic market of any kind. Thus cotton production in Demerara boomed as soon as the British had conquered this colony in 1796. It became the most rapidly expanding slave colony ever in the course of the following decade. Slave imports increased from an average of 397 per year in the Dutch period to more than ten times that number under British rule.

Ormrod could have dwelled more extensively on these developments in the Atlantic. In his book only the last pages are devoted to the 'Atlanticisation' of the British commercial empire, showing that Dutch investors rather put their money in the British commodity trade than in its Dutch equivalent. The author does not stress the fact that, confusingly, the Dutch commercial empire like its British counterpart also became more dependent on non-Western trade. Unlike Britain, however, the increasing share of non-European trade in the total Dutch trade was a sign of commercial weakness and a movement towards protection rather than of economic viability as in the British case. Because the Dutch commercial world in Europe itself contracted, the Dutch merchants had no other choice but to move into the trade with Asia and the Atlantic.

In all fairness these omissions should not be seen as vital. Ormrod has produced a very detailed analysis on the basis of years of scholarship; the British and Dutch economies have been compared time and again but never in as much depth as in this study. In his conclusion the author stresses the same point made at the beginning of this review. During the period of the *ancien regime* the British economy constituted the miracle, much more so than the Dutch one. In 1550 the per capita GNP in Britain was similar to that of the continent, and in 1820 three times as large, in spite of the fact that the population of the British Isles had increased more than three times as fast. It was the British economy that produced the Industrial Revolution, not the Dutch one. I agree with Ormrod that Britain seized the imperial initiative by centralizing its economic and governmental institutions at home and by decentralizing its commerce abroad.

Finally, as Ormrod's book shows, a comparison between the British and the Dutch commercial empires will always remain unbalanced, since Britain was in a much better position to provide an infrastructure and protection for its merchants than the Dutch were. In order to support a naval capacity similar to that of Britain, the Dutch taxpayers would have been taxed even higher. Wars devastated commercial profits and part of Britain's success in exploiting the Atlantic was the naval protection it could offer to secure the sea-lanes. In the seventeenth century the British could learn from the Dutch and win, but in the following centuries the Dutch could never hope to do the reverse.

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