The Roots of the Dutch Republic’s Golden Age Commercial Success

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When I applied for this seminar, I was most interested in Professor Gerard Koot's overarching discussion question: "How did the region (Netherlands and England) develop into a commercial and industrial society? Was it essential that they did so in a relatively tolerant, politically free, and 'bourgeois' society...? Or was their success primarily achieved through the state's pursuit of power, mercantilist regulations, war, and exploitation...?" My students often struggle with the negative human costs of historic economic expansion, such as war, violence, unsafe working conditions, and slavery. In order to better discuss this issue with my students, this reflection will consider the root of the Dutch Republic's economic success in the 17th and early 18th centuries. Although the relatively free bourgeois society in the Netherlands encouraged economic expansion, an exploitative, overseas trade empire supported by military force was also integral to the development of the Dutch Republic as a center of banking and commerce.

The relative tolerance for foreigners and various religions did aid the Dutch Republic’s commercial growth to a limited extent. It was a haven for refugees and many of the major investors in the initial voyages to Asia and the Americas of the 1590s were Protestant escapees from southern Netherlands territory still held by the Spanish. Many Protestant countries welcomed those fleeing Catholic countries, and this new foreign influx from Antwerp to the North did not necessarily represent an unusual amount of toleration (Israel 345 – 346).

The Dutch were relatively tolerant toward competing religious ideas during the 17th century, when their economic dominance expanded. The acceptance of Catholics and Jews, however, did not play a major role in the rich Asian and American trades. After the revolt from Catholic Spain, the Dutch created an official church that was initially based on a more liberal form of Calvinism, but many cities in the Netherlands allowed other religions to worship in private. Voyages in the rich trades were also able to take investments from Catholics and Jews.
since Amsterdam did not prosecute them. These investors worked on a much more limited scale. In the 1600s, Israel says that in Holland, “no elite merchants were Catholics” (345). Jews also invested, but in limited amounts. In 1602, the Amsterdam branch of the Dutch East India Company (VOC) reported only two Jewish investors out of 1130, highlighting that toleration of different religions was not essential to the financial growth of the Netherlands (346). However, tolerance of the Jewish population certainly aided the Dutch Republic. Other than financial resources, Jewish refugees from Portugal and Spain had many skills to offer the Dutch in the way of navigational knowledge, which was useful for the Dutch expanding into the East and West Indies. However, the north Netherlands perhaps could have obtained the knowledge of far off lands without the help of Iberian Catholics and Jews. Hollanders had been participating in the rich Asian trades with their Iberian overlords. For example, Jan Hugen van Linschoten traveled to Goa with the Portuguese and published a book, the *Itinerario*, detailing trade routes and Asian lands. Israel says this book heavily contributed to Holland's seafaring knowledge (Israel 319 - 320). He was probably a professed member of the state Protestant church considering that he worked in many government positions.

Illustrating the riches of Asia, a page from *Itinerario* (1596) by Jan Hugen van Linschoten, of Haarlem who traveled to Goa with the Portuguese. Picture taken by Eve Southworth in the Rotterdam Maritime Museum.
More than tolerance, a bourgeoisie society contributed to the economic success of the Republic. Jan De Vries argues that a healthy bourgeoisie is necessary for economic vitality as it is the bourgeoisie who are more apt to invest their wealth whereas a landed aristocracy is more likely to plow their wealth into land and then collect their rent earnings without investing in new ventures. Some states that had less economic vitality during this time, such as Spain, had merchants who bought land and titles with their wealth rather than reinvest in new ventures – advancing their own status, but not creating industry or employment. The Netherlands, however, had a weaker aristocracy and larger middle class, which chose to reinvest in business (De Vries *The Economy...* 210 - 219).

In addition to capital investment, the Netherlands developed an early market economy due to its need to trade for essential items. The Dutch had the highest rate of urbanization in the world, which meant people were dependent on commerce for their survival, chaining many to the market economy. Rural dwellers produced agriculture for the market, not just subsistence, and thus participated in a consumer economy. The low, boggy land was best for dairy, but importing grain was essential, and the Dutch became leaders in the Baltic grain trade. De Vries explains in *The Economy of Europe in an Age of Crisis* how consumerism continues to create its own demand. During the 17th century, retail shops opened, selling exotic goods like coffee and tea from Asia, further fueling the rich overseas trades (De Vries *The Economy...* 348 - 353, & 177 – 209).

The bourgeois demand for goods, liquid capital to invest, and freedom to engage in the market, spurred Dutch American and Asian trade. Ventures in long-distance trade for rich goods began emerging in Holland after Protestant merchants from Antwerp fled to Amsterdam in order to avoid Spanish persecution. With the new investors, companies developed to trade with Asia since the war with Spain had ended Dutch trade with the Iberians for Asian luxury goods like spices, silks, textiles, and porcelain. Although the first Dutch trading voyage to Asia broke even, the second returned with a profit of 400 percent, setting off a glut of new ventures. Companies formed to finance individual voyages by raising investments from multiple sources. The first companies were limited partnerships. They sold cargo and then immediately redistributed profits to shareholders. When ships needed improvement, directors invested personally, rather than through a company (Gelderblom 1053).
The bourgeoisie’s ability to organize ventures and power in government allowed them to create entirely new forms of investing to support their growing trade. By 1599 there were eight different enterprises trading in Asia. Because there were so many companies, prices and profits began to drop and there was an incentive to consolidate trade. In order to bring stability to the market and operate more uniformly in Asia, major investors and the bourgeois-controlled state worked together to create a joint-stock monopoly in 1602 for Asian trade (Israel 318 - 321).

Above is a map of the route of the first Dutch voyage to Java in 1595 - 1597, *Kaart waarop de route van de Eerste Schipvaart* by cartographer Cornelis Claesz. Het Scheepvaartmuseum, Amsterdam.

Dutch innovation and the economic climate that allowed it was key to the republic’s economic success. The idea of long-term stock came into being with the VOC. Bourgeois financiers invested in a company rather than just one voyage, expecting returns in ten years. They could sell their stocks, rather than cash them in, creating a more stable source of income for the company and an entire new commodity (De Vries *The Economy*... 131-133). The Dutch developed many other successful institutions, which other Europeans copied. In 1611, they created an exchange bank (De Vries *The Economy*... 121). Additionally, the creation of the joint-
stock company brought with it limited liability for the investor. These building blocks of the modern corporation were essential to financing the new riskier ventures to Asia and the Americas (Gelderblom, 1050).

The Dutch had the freedom to make shipping more efficient, securing themselves as the cheapest option for moving goods in Northwest Europe by the end of the 16th century. The Dutch didn't make any remarkable shipping inventions, but what they did do was tweak ship design to make trading more cost effective. In the late 16th century, Holland and West Friesland became bulk goods shipping leader in Northwest Europe, trading grain, fish, and timber using the efficient fluit ship, which required fewer sailors, carried more cargo, and cleverly avoided Danish taxes.

When the Dutch began their voyages to the Americas and Asia, they continued to look for shipping methods that would save manpower. Part of this drive to reduce labor costs may have come from high wages. De Vries notes that between 1580 and 1620 the non-agricultural real wages in Holland rose above the rest of Western Europe (devries, “Dutch Economic…”, 454 - 456). Israel clarifies the issue by noting that high wages applied at sea as well (Israel 352). In addition to tolerance, political freedom, bourgeois society, war, mercantilism, and exploitation, strong motives to reduce costs and innovate should be added to the list of reasons the Dutch grew commercially.

Other Dutch innovations in organization of shipping routes led to greater success. The Portuguese, who had built the original European trading posts in Asia, had a very simple shipping method in which they sent one large vessel from Portugal to fill its hold by visiting many ports in Asia. When this ship was full of products, it returned to Portugal. In contrast, the VOC separated the shipping from Asia to Holland from the localized inter-Asian trading. After setting up a central trading post in Batavia, Java, large retourschips would only make the round trip journey from the Netherlands to Batavia. Smaller vessels would continuously journey out of Batavia and make shorter trips to other Asian ports. This method was more efficient because the shorter trading voyages could be done with smaller, cheaper vessels and less men. Local trading could be done more frequently as well and the Dutch could profit from their participation in moving Asian goods throughout Asia. Additionally, the Dutch could rely on Chinese, Indonesian, or Indian merchants to bring goods to Batavia, which could then be loaded onto the larger East Indiaman bound for Holland, saving on local shipping costs. The Dutch first
developed their trading empire in Europe by being an entrepot for other European goods, since they had little of value to trade, and they maintained this role in Asia as shippers rather than producers (Parthesius 164-167).

In a hostile battle for trade empires, none of these efficiencies, investments, or innovations could have turned a profit for the American and Asian trades, or connected industries, without state intervention. From the beginning, the VOC's success was closely intertwined with state and military power. Much like a country, the company could make alliances, form contracts, name governors, raise troops, and appoint officers (Van Dem 148). Military strength and the willingness to use it largely contributed to the success of the VOC. Part of their state-given mission was to bring the war between the Netherlands and Spain to the Iberian colonies. The VOC was happy to oblige, as it meant they would gain trading posts pioneered by the Portuguese. Additionally, the Dutch government granted the VOC permission, in its charter, to capture enemy ships. Later, in fact, the government encouraged it as an essential mission (Parthesius 36). As Jan Pieterszoon Coen, who became VOC Governor-General in Asia in 1617, explained when he was only a council member in charge of policy, "Trade without war, and war without trade cannot be maintained" (Parthesius 38).

For the Dutch and Western Europeans, trade, power, and empire became intertwined. A European power struggle between Spain and the Netherlands spread to areas of trade in Asia, Africa and the Americas. Every time the VOC took a Spanish or Portuguese colony or trading post, they strengthened the power of the Dutch Republic in European politics and in the battle against Spain. Therefore, success in trade became a matter of national security. Winning Iberian colonies, however, became more than just about winning independence from Spain. The truce of 1609 - 1621 specifically did not apply to Asia, providing the burgeoning VOC the excuse to continue expanding. Clearly other justifications for using force as an entry into trade were needed. In 1609, statesman Hugo Grotius published the tract, “Mare Liberum”, or "The Free Sea". Grotius was a jurist and close with Johan van Oldenbarnevelt, the Republic's leading politician and one of the masterminds behind the VOC. In “Mare Liberum”, Grotius defended the idea that the Dutch have a natural right to use force against anyone who refused to trade with them. His logic followed that "freedom of trade is based on a primitive right of nations which has a natural and permanent cause; and so that right cannot be destroyed" (154). He based this assertion on various examples that held weight at the time, such as historical president and the
claim that God spread resources throughout the world because God wants people to trade. Gro

ius argued that when the Portuguese deny the Dutch access to trade they are doing an "injury" so grievous that war is justified. He asserted that the “Dutch must maintain their right of trade with the East Indies by peace, by treaty, or by war” (152-154). Pieter van Dam, chief legal officer of the VOC in the middle of the 17th century, wrote that “the people of this country cannot survive without trade, industry, and shipping”. That success in trade was perceived to be a life or death situation may explain why violence was deemed an acceptable tool for gaining trading rights (145).

Trade in Asia for the Dutch would have been impossible without establishing bases where ships could make repairs, and re-provision, and where merchants could collect and store goods. Unfortunately for the Dutch, not every potential trading partner wanted to grant the Dutch a post. The VOC planned to create a trade empire based in the Indonesian archipelago, known for its spices. It first flexed its muscles by capturing the Indonesian "Spice Islands" of Ternate, Tidore, and Amboina from the Portuguese. The VOC planned to maintain a nutmeg and clove monopoly in Europe. To do so they tried to blockade shipping in the Spice Islands from all other nations. They signed a contract with the villagers at Banda Island, who grew the coveted nutmeg, that forbid the islanders to trade with anyone but the Dutch. This contract wasn't easy for the locals because they depended on trade for many items related to survival. When the Dutch caught the islanders trading with the English in 1621, they slaughtered all the villagers and replaced them with those who swore to be loyal. To avoid the fate of the Banda people, the ruler of Ternate agreed to only sell his island’s most desired spice, cloves, to the Dutch. In Ambon, the population refused to participate in the forced monopoly and fought back until the Dutch killed every last man, woman, and child. Through massacres, threats, and coercion, the Dutch supplied the eager European market with nutmeg and cloves (Parthesius 41-42).

In Java, the most powerful state on the island, the Mataram also used military force to prevent a Dutch post in the first half of the 17th century. The Mataram closed the VOC post in Jepara in 1618 with force (Nagtegaal 18). In retaliation, Governor General Jan Pietersz Coen seized the town of Jakarta by force, setting up the post of Batavia (Israel 323). The Mataram tried in 1629 to conquer Batavia, but the Dutch were able to defend themselves (Nagtegaal 18). By 1700 Batavia grew to a city of 70,000 with 6,000 Europeans. Most of these were VOC soldiers, seamen, and other employees (Israel 324).
This is an engraving called *Siege of Batavia by Sultan Agung* produced in 1628 by an anonymous artist, but published by Aart Dircksz Oossaan and Sander Wybrants after 1680. This image can be found in the National Library of the Netherlands, The Hague.
This oil painting is entitled *Dutch Ships and Chinese Junks on the Roadstead from Batavia to Java*, by Adam Willaerts, 1649 and it is in Het Scheepvaartmuseum, Amsterdam.

The VOC was not always able to force their way into trade. Barred from trading directly with the Chinese, they tried force, first by raiding Portuguese privateering vessels. Then, they unsuccessfully attempted to raid Macao in 1624 and were crushed by the Chinese. After that debacle, they were relegated to a post on Taiwan where they could obtain Chinese goods through middlemen (Parthesius 45).

In other places, the VOC’s military strength was attractive to Asian rulers who hoped to make alliances with the Dutch. After helping the King of Kandy rid Ceylon of the Portuguese, the King granted the Dutch trading rights, which eventually extended into territorial power. In India, however, force was not necessary, except for the post captured from the Portuguese, as the mercantile Mughals allowed the Dutch trading privileges (Parthesius 45).
Spilbergen meeting King Vimaladharmasooriya of Kandy, 1602. De reis van Joris van Spilbergen naar Ceylon, Atjeh en Bantam (1601 - 1604) published by De Van Linschoten Vereniging (XXXVIII). This image can be found in the National Library of the Netherlands, The Hague.

In the last half of the 17th century, the Dutch were able to gain greater power over trade and production in Java through military force, coercion, and alliances. The Mataram ruled most of Java in a feudal fashion. Regents who controlled areas of peasants gave the Mataram tribute for military protection. In 1671, one regent, Trunajaya, began leading a rebellion against the Mataram, promising local autonomy for the regents, freeing them from paying taxes and sending women and children as tribute to a central court. By 1676, most of the Javanese North Coast had joined Trunajaya. Although the VOC had a policy of staying out of local conflict, they favored the Mataram because a unified state seemed easiest to work with. Despite the explicit wishes of the Governor General, who sanctioned a mission to broker peace between the two sides, the VOC admiral on the ground sided with Mataram ruler Susuhunan Amangkurat II and helped him defeat Trunajaya's rebellion in return for more trading rights. The Heren XVII, the VOC ruling board in the Netherlands, were happy with the use of force and elected this admiral Governor-General of the Indies, demonstrating their approval for an increased use of violence and
intervention to advance VOC power. This began the Netherlands’ long history of military and political intervention in Javanese local governance (Nagtegaal 19 - 25).

The Dutch continued to assist the Mataram in military affairs, leading the Javanese state to become indebted to the Dutch, allowing the VOC to gain more economic power. After helping the Mataram defeat Trunajaya, the VOC was allowed more permanent bases around Java and monopolies over textiles, opium, and sugar. To settle debts after 1709, the Mataram agreed to pay in coins and rice, and they paid for certain Dutch garrisons that were specifically in place to defend the Mataram's interests over a 25 year period. Despite their growing debt, the Mataram continued to use the Dutch as a mercenary force against other Javanese rivals - eroding their own power, and empowering the VOC (Kwee 298).

At the end of the 17th century, the VOC had the legal backing from the Mataram to enforce a monopoly on textiles, opium, and sugar. The VOC seized a monopoly on not just products going to Europe, but also different parts of Indonesia and Asia. The Javanese islanders, however, were used to trading for their survival and were not willing to comply with a Dutch monopoly that would only hurt their local trade. To force their monopoly, the Dutch first worked to destroy any Indian and other European traders in Java by attacking their base in Banten. In 1682 they forced that town to recognize VOC authority and forbade any trade to go through that port. To further enforce their monopoly, they used their superior navy to control the sea routes throughout the archipelago and required all ships to carry paperwork stating their home port and purpose (Nagtegaal 117- 122).

A result of their use of military force and coercion, the VOC gained a higher share of trading profits in Indonesia while the Javanese lost trading power and wealth. The initial effect of the monopoly was that total trade through Batavia fell drastically in 1682. From 1705 - 1730, the VOC trade began rising again while private trade fell from 41% of the shipping prior to the monopoly to 15% by 1730. Even though trade initially fell for the VOC, their overall profits for trade in the north of Java rose fivefold from 1701 - 1738 (Nagtegaal 125). By destroying their competition through force, the VOC succeeded in increasing their profits at the expense of the local Javanese economy.

After gaining coercive power over the Mataram state in 1677, the VOC began expanding its territorial rule and direct interactions with methods of production where it was economically advantageous and directly exploiting villagers. For example, they annexed the heavily forested
Rembrang area. Needing wood for shipbuilding, the VOC would force villagers to go with their local leaders into the woods and return with a quota of trees. Soldiers shaddowed the forced laborers to ensure they returned with the quota. The villagers were paid, but a low price per tree, and they were only paid if the entire quota was met. The VOC inspectors often rejected some trunks, therefore leaving the villagers under quota, and therefore without compensation. In 1724, the VOC began to deal directly with peasants rather than middlemen or regents to obtain rice. This beginning of direct rule and intervention in production would eventually culminate with the 19th century “cultivation system” in which 20% of all crops grown were taken by the Dutch overlords for resale (Nagtegaal 198 - 201).

As discussed above, exploitation of labor and trade partners was an integral part of the 17th century Dutch trading empire. For example, the Dutch participated in the Atlantic slave trade. Although De Vries argues that this business was not very profitable, the cash crops such as sugar and tobacco produced by this labor were quite profitable. The Dutch also did pressure or force many communities to produce what they desired. For example, they used force and terror in the Spice Islands to create the workforce they desired. Although it has been argued that the exploitation was not widespread because they used this technique only in a few islands of Indonesia, the nutmeg and cloves they procured were highly profitable and therefore the exploitation and violence had an impact on the success of the Dutch Trade Empire.

The fate of the Dutch Republic was closely linked to its military might and overseas trading empire. The Dutch Republic itself fought wars for empire against their greatest trading competitors, the English. The state fought wars in 1652, 1665, and 1672, partially over violations of the English Navigation Acts, which were designed to block Dutch trade with English colonies. By the end of the 17th century, however, the Dutch Naval power declined relative to the English. One weakness of the Dutch navy was that it never centralized. Rather than controlled by the state, each province had its own force. Alternatively, the English developed a strong, centralized naval force. The Dutch Republic began diverting resources from the navy to land defense against the French. Because of the relative decline of the Dutch navy, the English and French began capturing Dutch Asian and American trading posts. At the same time, the English and French enforced their mercantilist bans on trading with the Dutch at a time when the Dutch could no longer successfully thwart these attempts (O'Brien 485 - 488). The volume of VOC ships grew from 117 per decade in the 1620s to 235 per decade in the 1690s and
shipping continued to increase until 1720. Trade declined due partially to changing tastes in rich goods from nutmeg and spices to Indian goods mainly controlled by the English and French such as muslin, silk, and coffee. Because the Dutch lost most of their key trading posts in Asia - besides Indonesia to the English and French, their ability to obtain their more fashionable products was curtailed, affecting many sectors of industry at home. For example, after their source of Indian cotton failed, the Dutch textile industry crashed. When the English blocked the Dutch from trading with the American colonies, their domestic tobacco processing industry collapsed. Consequently, a decline in trade also resulted in the ruin of the shipbuilding industry (Israel 940 - 942, 999). Even though many manufacturing sectors declined, Amsterdam, with its phenomenal banking system, continued to be a financial center of Europe in the 18th century, but the Dutch invested in endeavors backed by foreign militaries rather than their own. The Dutch maintained their commercial society, but its vibrancy dimmed without the military to support international trade.

Although Dutch commercial success in the Golden Age was certainly facilitated by tolerance, political freedom, a bourgeois society, and innovation due to high wages, the state and military made their overseas empire and trading networks possible. The rich trades spurred investment and the consumerism necessary to support an industrial revolution. Although the bourgeois backed many expeditions, they wouldn’t have if ships couldn’t be protected by force. During the first three quarters of the 17th century, the Dutch navy was able to thwart any serious English, French, Spanish or Portuguese attempt at crushing the nascent Dutch Empire. When the English and French decided to focus their military strength on Empire building, the smaller Dutch Republic could not compete and they lost much of their trading empire leading to economic decline. Ultimately, a key part of the commercial success of the Dutch Republic lay in the relative strength the combined state and VOC military to maintain international trading posts and protect the homeland, rather than simply values of tolerance and free trade.

The relationship between trade and war is an interesting question for students to consider. Jan Pieterszoon Coen’s words, "Trade without war, and war without trade cannot be maintained," is a statement students can analyze that relates to all time periods and the modern era. The way the Dutch secured their empire and consumer society was partially through violence and exploitation. Great Britain continued to use violence as they rose to global supremacy in the 18th and 19th centuries. The United States inherited economic leadership in the
20th century and perhaps it is not a coincidence that they spend more on their military than any other country. With the economic rise of China, which spends the second most amount of money on its military, the traditional claims that tolerance, political freedom, and a strong bourgeois class are necessary for capitalist and industrial success are challenged. These issues are worth examining in depth with a world history or economics class, including the Dutch Republic as an early example.

Works Cited


