

On the Decline of the Dutch Republic, 1705

Introduction: While Dutch society remained wealthy, and its overall standard of living remained among the highest in Europe into our own time, its economic pre-eminence declined by the late 17th century relative to its larger neighbors, such as England and France. By the 18th century, both English and French mercantilism had succeeded in ending the Republic's primacy in inter-regional European trade. A second major factor in its relative decline was the large burden of taxes and debt, which were a consequence of its participations in many wars, and especially the expense of defending itself against repeated French invasions. While it remained a wealthy country during the 18th century, its Golden Age had passed. The document below is an excerpt from a "*Memoir on the present state of the Government of the United Provinces.*" It was written by Adrianus Engelhard Helvetius in 1706 as a report to the French Foreign Ministry. Helvetius was a physician who was born and educated in the Dutch Republic. He became a French citizen and spent most of his life in Paris. In 1705, during the War of the Austrian Succession, he was dispatched to Holland as a secret agent by the French to assess the strength of the Republic. The report was edited by M. van der Bijl in *Bijdragen en Mededelingen van het Historisch Genootschap*, Vol. 80 (1966): 171-80. The excerpts below were translated from the French by Herbert T. Rowen, ed., *The Low Countries in Early Modern Times: A Documentary History* (New York, 1972), pp. 226-232.

The commerce of the United Provinces in Europe has never been in a worse condition than today. During the course of earlier wars, although Dutch vessels were also open to the attacks of privateers, at least they could take refuge in the Atlantic and in the Mediterranean in ports under Spanish rule, which now are closed to them. Furthermore, even when they were completely barred from the trade of France, they still continued to ply both the Baltic trades, which they continue to enjoy, and the trades of Spain, the kingdom of Naples and Sicily, and Spanish Flanders, which now they have good reason to miss. Not only is the market greatly reduced for their cloth, both of their own manufacture as well as that made in India and in the Baltic, and for their other wares, spices, salt fish, etc., but they are also deprived of the profitable return trade in wool, wine and other necessary commodities.

It is true that their trade to the Indies has not fallen off as badly, yet the lack of consumers is causing difficulties like those in their European commerce. In the East Indies the Company has launched a violent war against the Mogul, and in the West Indies trade is possible only through intermediaries and hence is subject to many disturbances. In peacetime the Dutch used to earn as eighteen million from Cadiz when the fleets (from Spanish America) returned. Smuggling does

not produce anything like that amount, and the delays discourage the richer merchants, who await better times to risk their wealth. As a result, there are frequent bankruptcies, word of which scares people and discourages them from entrusting their money to merchants, whose own funds are limited, as they are in the habit of doing in peacetime. This decline even affects the domestic commerce of the country, which is suffering badly, especially thanks to the cunning manipulations of the English, who take advantage of the opportunity to raise themselves upon the ruins of their allies.

The English, a people as fierce as they are capable, being convinced that the States General need their help so badly that they would not dare dispute anything with them, follow the maxim of making the Dutch pay their auxiliary troops, even when they are engaged in battle. They supply them with goods of every kind, sending cloth and Indian fabrics which are forbidden in England, butter, tallow, even manufactured candles, grain, etc., and in this way they manage to make a profit on the support of the troops which they ought to be paying themselves. Far from supplying their pay and sending money out of Great Britain, they ship out large quantities of superfluous goods, which when used to meet the pay of English soldiers brings more money from Holland to England, although this crafty conduct totally destroys what remains of trade within the United Provinces, where the abundance of foreign goods reduces the price of local products and the sale of English wares results in the decline of local manufactures, as the cloth makers of Leiden have found to their cost. For since the common people in Holland have taken to wearing light flowing serge and other English fabrics, which are very cheap, Leiden has lost more than three thousand of its workers. Most of them have crossed into Flanders, thanks to the endeavors of Count van Bergeyck who does all he can as well to interfere with Dutch trade. It does them no good, however, to shout against the injustices perpetrated by the English, for instead of obtaining any satisfaction they are treated worse than ever in England, where Parliament invents a thousand chicaneries at their expense and forbids the import of most of their goods at the same time as it floods Holland with whatever surplus of anything exists in the three kingdoms.

It might be thought that the opening of trade with France would bring some solace to the United Provinces. Yet it is not to be denied that while the reduction in the price of wine has

increased its sales and improved the business of a few merchants, it has ruined others whose stores were well stocked. This is not the place to examine whether the trade between the two countries upon the present footing is more advantageous to Holland or France. What is certain is that since the ban was lifted, Dutch merchants have shipped into France a great supply of Louis d'or, so that these coins, which had been quoted at only nine livres, have risen to nine livres five sous.

Considering all the wounds which Dutch trade has received from every side, one might naturally expect that money would be in very short supply in their provinces. But we know that it circulates easily, which is explained by the immense sums which were amassed by their customary trade to every part of the world. There are many individuals whose wealth has not been exhausted by continued warfare, because they are sparing with what they have and renew it in business, but it would be wrong to believe that the state, who has been exhausting itself by spending so much for so long, is as rich in proportion as some of its people. On the contrary, it is extremely encumbered with debt, and without speaking of the other provinces, most of which do not blush for their poverty, Holland alone owes 420,000,000 in interest-bearing bonds.

The States of this province, in order to discharge a part of these enormous debts and to meet the exorbitant expenses of the present war, have recourse to two means which are always employed in such circumstances, that is, new taxes and more loans. There are few countries where the ordinary taxes are more numerous and heavier than in Holland; taxes are collected on everything, with harshness and violence.

The taxes on flour, beer, and turf produce the greatest revenue. Taxes are levied on each household according to its consumption of wine, salt, soap, tobacco, tea, and coffee, etc., as estimated by the town magistrates, to whom the heads of family are required to make a faithful declaration of the number of their children and their servants, under penalty of fines. This sort of tax is to be extended to candles; the edict has been adopted but not yet published. Furthermore, most of these commodities, as well as a multitude of others, pay entry duties before they come into the provinces if they are of foreign origin, and always before they leave the hands of the retail shopkeeper.

When real estate, which here includes seagoing ships, is sold, a tax of two and one-half percent of the price must be paid to the state. All legal documents of any kind whatever have no force in law if they are not drawn up on paper sealed with the small seal if they are of minor importance and the great seal if they are more important. Each sheet which bears the great seal pays four shillings, and each with the small seal pays two. Valets and servants are not exempt from paying an annual tax, nor are horned cattle and horses, either in pasture or when brought out for sale. Wagons must also pay a tax, cart-horses ten pounds a year, and carriages 25 pounds.

Finally, there are also taxes levied on weddings, and burials are taxed so cruelly that a cadaver will remain unburied unless the relatives of the dead pay ten crowns for the last rites. There is no escaping this unjust tax except by bringing affidavits of poverty to be registered, and frequent scandalous disturbances have already occurred in the Protestant temples and Catholic churches.

We will skip over a large number of taxes, which it would be tedious to give in detail, to discuss the so-called Hundredth Penny, which provides the state with its readiest revenues. It is collected on a permanent basis from all real estate possessed by subjects of the States of Holland, which includes land, houses, contracts of indebtedness, interest-bearing bonds, shares in the East India Company, etc. Although this tax, which is set by estimate of the local magistrate, is called the "Hundredth Penny," in respect to first establishment, it should rather be called the "Eighth Penny," because in fact it provides to the state every year an eighth of all revenues from the property taxed. Once it has been collected, there is no way to be relieved of it, and it is demanded with such rigor that landowners have often been known to abandon their lands to the state because they could not pay the charges upon them.

If this tax seems hard in peacetime, it is infinitely worse during war. Then each possessor of real estate pays the eighth twice, that is, a quarter of his income, yet it is called the Two-Hundredth Penny. When a war takes a turn for the worse and the state is obliged to increase its expenditures, the funds are found by doubling the tax of the Two-Hundredth Penny, that is, each owner is compelled to pay out half of his annual income. This is the current practice. Finally, when things are at their very worst, as during the war of 1672, this tax has been imposed as much as three times in a single year, which meant that each person was paying three quarters of his

income.

Nonetheless, onerous as this tax is, the state prefers to have recourse to it because it affects only the wealthy, rather than introduce new personal taxes and arousing the poor populace, who are much more susceptible to rebellion than those who have something to lose.

The second resource of the province of Holland is to borrow from its own subjects, to whom it continues to pay the interest on the sums lent. If its credit were to be judged by the debts with which it is overburdened, one would have to expect it to be quite weak; yet, as soon as a new loan is asked, people hasten to beat each other to invest their funds in the public treasury. This confidence of the people arises less from the plentiful supply of specie in Holland and even less from the exactitude with which the bonds are paid off when they fall due, than to a number of political tricks which the ministers use, and the absence of any other safe investment in wartime.

It is certain that when peace opens the way for trade, those who have money to invest do not fail to put it in the hands of merchants in order to make a greater profit, but when the risks are too great, either because of the raids by foreign privateers or because of domestic bankruptcies which are a usual consequence of war, everyone keeps his funds for himself, or at least prefers to take a modest profit rather than run too great risks. To employ funds in the purchase of land or existing bonds would be very foolish at a time when this kind of property is subject to paying the Two-Hundredth Penny two or three times a year. It is therefore preferable to lend one's money to the state, especially since the new bonds are exempt from all taxation for a term of six years from the date of Issue. At the end of this time, they become subject to the Two-Hundredth Penny, so that it is usual to obtain repayment of the principal, which is never refused when the bondholders ask for it.

Another source of profit which the state uses to dazzle the public and to display its pretended opulence is to order the paying off of six millions of debt every year, even in the most difficult times. This sum is then used to pay obligations contracted at a higher rate than before.

Helmette .the receiver-general who is in charge of this operation, handles it with such skill, choosing for repayment those who he knows have least need of the funds, that sometimes he is overwhelmed with requests and pleas to keep the money; even then, he pretends to grant

this favor only to people whom he holds in high esteem, because he is obliged to reimburse the same sum every year. This reimbursement nevertheless is not without great advantage to the public, because the six millions are distributed among the people, so that money stays in circulation and does not become scarce.

Finally, while the state is repaying old loans with one hand it opens the other to take in new loans. It is then that Helmet uses another trick to induce people to lend more, more easily and more quickly. At the moment when the new issue is about to be fully subscribed, he brings in persons, some of them leading figures in the Republic, and refuses the large sums which they present to him, claiming that the Issue has been fully subscribed and that they are too late.

Crude as these tricks are, they do not fail to take in the unwary and thereby to increase the credit of the state to the point where he boasts he could borrow the last penny in the purse of Holland's subjects. Indeed, they have been fortunate enough to be able to borrow as much money as they needed until now at four percent. Their receiver-general has even been able to obtain in his name four million at three and one-half percent.

But in the end this is not an inexhaustible stream; it must run out some day if the trade which is its source itself continues to suffer from a drought. The East India Company alone, which would seem enough to prevent poverty, is scarcely able to maintain itself. It can conduct its trade only with cash, which comes only from the sale of its goods, for which the market is extremely reduced. Furthermore, in addition to the fact that the conflict with the Mogul involves new expenditures, it also interferes with the ordinary course of its trade. So many attacks suffered at the same time have not failed to lower the price of the company's shares. Nonetheless, the specie which leaves the United Provinces by various routes does not come back by any of them, so that the work of coinage has been halted throughout the country. The States have even been obliged recently to support the Emperor, who pledged to them his quicksilver mines for a loan of several million at five percent; this was another bloodletting for Holland, because these sums were furnished by individuals who gladly made the loans because they were declared to be free of the Two-Hundredth Penny tax. Finally, the expenses of war continue to increase every day. Portugal and Catalonia seem to be two chasms which are ready to swallow all the treasures of the Indies, so that the States General are beginning to tire of sending their most essential

subsistence there, and their subjects, who have been very patient until now, are beginning to become angry against the heavy burden of the Two-Hundredth Penny, which has lasted too long.

This is the present situation of the affairs of the United Provinces.