Shifting focus? The dynamics of economic interaction in the early modern North Sea region

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Introduction*

During the late sixteenth and early seventeenth century the Dutch Republic rose to economic and political dominance in Europe. Due to their proximity to the Republic, North Sea coastal regions (see Map 1) were influenced more than other regions by this powerful neighbour. Amsterdam – the most important town in the Netherlands – was at the apex of an economic network that exchanged goods, labour and capital. Somewhere during the second half of the seventeenth century this period of Dutch commercial and military hegemony came to an end as the Dutch economy stagnated and was surpassed by the English.1 Naturally, this process was followed by a reorientation of the contacts that had existed across the North Sea.

In this paper the dynamics of economic interaction during this economic ‘regime-shift’ are given a central role. We want to document whether the shift of the dominant goods market from Amsterdam to London can also be observed on the factor markets. After reviewing the evidence on the international market for capital and labour, no such fundamental changes were found.

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1 Israel (1995); Vries and Woude (1997); Israel (1999); Ormrod (2003).
This paper will proceed as follows. Section two will explore some aspects of the concept ‘North Sea region’ as used in this paper. Subsequently the capital and labour markets will be reviewed. We will finish with some concluding remarks.

Map 1: *The North Sea region.*

**The North Sea system**

Compared to our twenty-first century means of transportation, the early modern period was a fairly slow period. But speed being relative, large differences existed between the different ways of transportation. As good roads did not yet exist, transportation by carts was difficult and rather slow. Ships, however, could move
more easily over water and Europe’s waterways were therefore the main way to transport goods and people. Regions with access to good waterways were thus in an advantageous position to interact with other such regions and around the North Sea many such locations could be found in close proximity to each other. This gave North Sea regions an advantage to interact closely with other North Sea regions.2

Close contacts indeed existed between these regions, but they were certainly not restricted to the North Sea alone.3 There were other ‘North Seas’ as well – the nearby Baltic, Mediterranean and Atlantic being the closest – with which contacts were also established. Interaction did thus not end at the northern edges of the North Sea, the Sound or the Channel. The question could thus be raised whether or not such border regions were actually part of the North Sea region. French trade statistics – as portrayed in Map 2 – show that northwestern France focused much more on northern Europe than did other French regions. The Map gives the most important trading partner per tax office according to the value of the traded goods, but naturally trade with other regions also existed.4

These borders were not rigid, but rather flexible instead. At certain points regional economic systems such as the North Sea overlapped and came into contact with other regions. Through the Sound, the Baltic and North Sea economies developed close relations and through the Channel (and northern edges of the North Sea) the North Sea came into contact with the Mediterranean and Atlantic. The intensity of contacts and the regions involved could change over time, but contacts there were.5 The latter can again be illustrated by looking at the foreign trade of France. Customs accounts enable us to determine with which partners France traded most. Figure 1 illustrates the changing importance of the Mediterranean, North Sea and Atlantic colonies in overall French imports. During the seventeenth century relations with North Sea regions were probably most

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2 The classic is of course Braudel (1995). See Blockmans and Heerma van Voss (1996), 10 n. 1 for numerous other publications. To these Kirby and Kinkkanen (2000) and Gerner and Karlsson (2002) can be added.
3 Roding and Heerma van Voss (1996); Heerma van Voss (1998).
4 Bochove and Lottum (2005).
5 The map in Abu-Lughod (1989), 34 is instructive in this respect.
important, but during the eighteenth century northern Europe’s importance gradually declined.

Map 2: *The relative most important region per importing town, 1768-1774.*

Figure 1: *French imports, 1716-1782 (in percentages).*

Source: Bochove and Lottum (2005).

**Capital market**

During the seventeenth and eighteenth centuries Amsterdam and London evolved into the most advanced financial centres of northwestern Europe. Many of the institutions that were introduced during this period could therefore be found in both cities. Both had chartered Banks, for example. In Amsterdam one could find the *Wisselbank* and the Bank of England was located in London. The first (large) joint stock companies – the VOC and EIC – could also be found there.⁶ Large secondary markets existed where the shares of these companies were traded and (specialised) publications such as the *Course of the Exchange* and the *Amsterdamsche Courant* informed the general public about the price quotations.

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⁶ In case of the VOC, of course, the geographical scope was somewhat larger as the whole of Holland as well as Zeeland were covered.
Last, but not least, all large foreign houses (Huguenot, Jewish, German and Flemish) found their way to both centres.

It is perhaps interesting to elaborate somewhat further on the relationship between these two important capital markets. The English funds quoted on the Amsterdam Exchange are a good starting point. Price quotations for the same fund – East India Company stock, for example – were thus available in two different locations. Research has shown that at least from 1723 onwards both markets were ‘efficient and well integrated’. Obviously information was available somewhat earlier in England as it concerned English funds. Overall, however, the Amsterdam capital market seems to have determined conditions on the international market most.

Here, however, we are not primarily interested in the development level of the capital markets, but in the impact these markets had on the surrounding regions. During the seventeenth century especially the Dutch expanded their role as international creditor. Initially large merchant families – De Geer (Sweden) and Marselis (Denmark-Norway) were the most important – and Dutch authorities played a central role. As time progressed, however, smaller investors were also drawn into the market. This was made possible by the fact that banking houses took over the role of the large merchant families. These houses negotiated loans – mainly with foreign governments – and placed these on the Dutch market. For the latter they mainly hired entrepreneurs that actually went searching for investors. This way smaller investors could also be involved into the international credit market, which increased the potential of the Dutch capital market importantly.

The process intensified as the eighteenth century progressed. So while England’s position as commercial centre improved, Amsterdam kept on strengthening its position as the most important capital market of Europe. The transfer of the goods markets to England was thus not followed – or only very slowly – by a corresponding shift of the capital market. Some information on the

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7 Neal (1990), 141-165; Dempster, Wells and Wills (2000), 24.
8 Eagly and Smith (1976), 210-211; Oppers (1993).
9 Buist (1970); Buist (1974) and my own work-in-progress on the interaction of Dutch and Scandinavian capital markets.
foreign debts of Denmark and Sweden may illustrate this point. Although large-scale foreign lending only commenced from the mid-eighteenth century onwards, Figure 2 clearly shows that both countries primarily turned to the Dutch instead of the English capital market in order to meet their demands. Although England was the prime commercial centre of the eighteenth century, Dutch creditors owned over 75% of Danish and Swedish foreign debts even as late as 1780. The Figure does show that the relative importance of Dutch creditors declined, but even around 1800 the majority of at least the Swedish foreign debt was still in Dutch hands.

Figure 2: Dutch share of the eighteenth-century Scandinavian foreign debts.

Spufford, who studied the rise and fall of dominant capital markets during the late medieval and early modern periods, has documented a number of shifts in the region under review here. The four towns that figure in his analysis are Bruges, Antwerp, Amsterdam and London. He does not expect that London will yield its current position as (world) financial centre in the near future since the number of banks already present, the amount of people working in the sector and the present

infrastructure firmly tie the sector to London.\textsuperscript{10} Although early modern capital markets depended much less on a physical infrastructure, as is the case nowadays, it took ever-increasing amounts of time before financial centres followed commercial markets in their shift to new dominant economies. Bruges and Antwerp only ceded their position as financial centre about forty years after losing their commercial centrality. Amsterdam, however, lost its commercial position somewhere during the second half of the seventeenth century or early eighteenth century, but retained its financial position until the end of the eighteenth century.\textsuperscript{11} The time lag was thus two to three times longer than had been the case in Bruges and Antwerp. How can this be explained?

The fact that the structure of demand for and supply of capital differed in both countries probably played an important role. The Dutch economy had for a long time accumulated capital, which – as the economy stagnated – could no longer be invested profitably domestically. The result of this was that there was surplus capital in Holland that could be invested abroad. The Dutch therefore assumed the role of international creditor and became the most important source of credit for North Sea governments.\textsuperscript{12} As the boom of the English economy started later, there still existed profitable investment opportunities in England. For the English there thus existed much less a reason to invest abroad, whereas for Dutch investors England appeared as opportunity.\textsuperscript{13} It is not surprising that it took time for the English economy to change and match the accomplishment of the Dutch.

All this was strengthened by the fact that there existed a strong relationship between the amount of capital accumulated locally and the extent to which one could move abroad with this capital. It is, of course, difficult to foresee the future and predict whether an apparent new financial centre would maintain its position in the future. Large merchant houses, therefore, often kept their options open before making their final decision to move. Moving, however, is more difficult for the smaller capitalist that actually provided the capital that was used in

\begin{itemize}
\item \textsuperscript{10}Spufford (2005).
\item \textsuperscript{11}Spufford (2005), 20, 26, 29.
\item \textsuperscript{12}Goey (1999) gives an overview of the available estimates of these investments.
\item \textsuperscript{13}Carter (1975); Wilson (1941); Bowen (1989); Bowen (2006) provide much detail about Dutch investment in England.
\end{itemize}
international loans. Such small investors do not move easily. Often warfare proved to be a decisive reason for both groups to do so, however. The Spanish ‘occupation’ of Antwerp and the blockade of the River Scheldt by the Dutch was a good incentive for many to leave town. Eventually Amsterdam attracted an important part of these refugees. Identically, the Napoleonic wars proved to be disastrous for Amsterdam and some of the most important capitalists and banking houses thus moved their businesses to London. This in combination with the ongoing English economic growth proved to be the deathblow to Amsterdam’s position as financial centre.

The labour market

Although the population of the early modern North Sea region was highly mobile and people migrated within the region over long distances in large numbers, there never was one centre of an overarching North Sea labour market. Although more sub-centres existed, during the seventeenth century roughly two main labour attracting centres can be distinguished: Holland and London. Holland, though mainly its economic core Amsterdam, functioned as a pole of attraction for labourers in the east of the North Sea region – including the western parts of Germany, Denmark, Sweden and Norway.14 At the same time London attracted migrants from the whole of England, in a lesser extent from Scotland and later in the eighteenth century from Ireland as well. After the shift of the political and economic centre from Amsterdam to London, little change in this division can be observed. This does, however, not imply that within the two systems no changes occurred. It is clear that the loss of economic hegemony had its effect on the size of migration to the Dutch Republic. Although wages remained higher in Amsterdam than in the migrants’ regions of origin, it became more and more difficult to find employment in the stagnant economy of the Republic. The labour

14 For more literature on migration in the North Sea region see: Lucassen (1996) and Lottum (forthcoming).
market became increasingly segmented, making it more difficult for foreigners to enter. But although the volume of migration within the North Sea migration system declined, the two systems – and the clear division between them – remained largely intact. In the map below the two migration systems and their hinterlands are visualized.

Map 3: *The two early modern North Sea migration systems.*

*Note*: The division in concentric circles of the migration fields of London and Amsterdam is based on Wareing (1980).

The dotted line running from English Channel to the Shetlands shows the watershed between the two systems. Although there were migrants from Scotland

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present in the Netherlands, and migration from the countries across the North Sea to England did take place, during the seventeenth and eighteenth centuries the hinterlands of both the centres were essentially divided by the watershed as shown in Map 3. The lack of change after the political and economic regime shift in the region becomes clearer when we look at the four ‘hinterlands’.

Although the large historiography of English migration only provides us with scattered information of the nature of the migration field of London, the large corpus of studies that has been published on this issue makes it possible to draw some conclusions on the changes that occurred within the English migration system. First of all, all available evidence shows that neither London nor any other part of England took over Holland’s position as attracting pole for migrants from the North Sea region. Studies by among others John Wareing have shown that in the case of London the migration field even contracted! 16 Although there was a rise in Scottish and Irish migration – or region 4 in Map 3 – in the latter part of the eighteenth century the influx of migrants from further away – region 3 in Map 3 – was reduced. More and more labourers from the Southeast of England took over their role. Therefore, instead of a widening of the migration field – as could be expected within the booming economy – migrants within the English migration system increasingly travelled smaller distances. The migration system with Holland as its core, although witnessing a smaller influx of foreign labour, remained more or less similar in the composition of the migration fields. Even though the overall volume decreased, estimates made by Jan Lucassen show that throughout the seventeenth and eighteenth centuries regions III and IV – roughly Germany and Scandinavia – remained the most important suppliers of labour; during the seventeenth and eighteenth century their share was larger than 50%.17

To sum up, it seems that when changes at the international level occurred, this could lead to changes within the two migration systems but did not really alter the course of the watershed as shown in Map 3. To explain this ‘stalemate’ in migrational relations in the region, at least four factors can be pointed out. First of

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17 Lucassen (2002).
all, the higher transportation costs for migrating to England from for instance region III, in combination with the fact that in the eighteenth century wage levels in England and Holland were more or less at par, made migrating to England not that rewarding for potential migrants from the European mainland. Moreover, existing networks originated in the first half of the seventeenth century made that the transaction costs for migration to Holland – e.g. costs of information – were much lower. Networks of chain migration between Germany and Scandinavia and Holland made that it was much easier for these migrants to enter the Dutch labour market than to start working in a relatively unknown environment like England. Finally – and this is perhaps the most important factor – it appears that in England the local supply of labour was sufficient to answer any growing demand. Map 3 showed that where Amsterdam had Germany as an important supplier of labour, London had Northern England, and the role of Scandinavia for Holland can be mirrored to that of Scotland and Ireland for England. Although the overall volume of North Sea migration declined, and in theory this could have lead to a large stock of migration-prone Germans and Scandinavians, England simply did not need this – again theoretically – superfluous international labour force. When the influx from Northern England – region 3 – declined due to the economic development of the North, London relied more on Southern England and later in the century on Scotland and Ireland. Even when in the nineteenth century the stalemate was broken and the early modern migration regime ended, people from Scandinavia and Germany did not choose London or other destinations in England as their migration target. Although being virtually unknown territory for most of the migrants, the United States became the main target for millions of Swedes, Danes, Norwegians and Germans offering a combination of higher wages and a seemingly unlimited demand for labour from far away. The latter England certainly was not able to offer a century earlier.
**Concluding remarks**

In this paper the North Sea region was the focus of our attention. Within the region Amsterdam originally was the dominant centre, but this changed when England became the most powerful player. This was not only the case commercially, but also regarding politics and naval power. This paper showed that whereas England became the most important commercial market, it did not become the main capital market until around 1800 and it never became the main centre of attraction for North Sea labourers. This overview thus suggests that a concentration of all three markets – namely those for goods, capital and labour – in one location certainly was not a necessity.
Reference List


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