The North Sea as a core region in the early modern world: the shift from Amsterdam to London*

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In a recent book on the North Sea economy, I argued that mercantilism, after all worked: that Smithian or market-induced growth was by no means incompatible with state intervention, which in some respects supported it. Others, such as Michael Mann, Patrick O'Brien and Larry Epstein have said something similar, across a broader canvas. Premodern cities and states, they explain, were able to successfully co-ordinate and stabilise markets, in ways which were even more important for Smithian growth than the support of private property rights. But I also suggested that a *modified* kind of world systems analysis, a regional analysis which uses the language of core and periphery, might help us to understand the growth of the premodern European economy. Amongst the reviews, there was a predictable howl of protest from Chicago (well, Evanston….)

It seems to me that a framework which accepts inequality as the starting point of exchange relationships is arguably more appropriate for a world in which a great deal of 'international' trade was not strictly inter-national at all (in the sense of trade between equally well-established nation states). But what do I mean by a 'modified' kind of world systems theory?

1 A world-economy as Braudel defines it, is 'an economically autonomous section of the planet able to provide for most of its own needs [with] …a certain organic unity'. It may include several political units and indeed types of polity, and comprises a hierarchy of zones (core, periphery, semi-periphery). One or more leading cities play a dominant role at the core, through a concentration of skills, capital, information, and through the operation of what Lesger describes as a 'gateway system' at the intersection of commercial networks. Varying degrees of monopoly power may be present.

2 There is a variable balance between coercion and the potential for market growth. Disparities of resource endowment and economic backwardness may or may not produce conditions of unequal exchange. But the overall logic isn't necessarily determined by it: the system allows for the possibility of interdependence.

3 Whether or not Wallerstein intended it, the boundaries of his European world-economy have been understood by his critics to include the whole of the global periphery by the late eighteeenth century (*the economie-modiale*), while omitting the local peripheries of Europe. Patrick O'Brien, who produced the best-known critique of Wallerstein's *Modern World System* estimated in 1982 that no more than 4 per cent of Western Europe's GDP derived from commerce with the periphery in 1800. But O'Brien's definition of the peripheral areas encompassed Europe's colonial empires

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*(numbers in brackets refer to Powerpoint slides)

and a miscellaneous ‘beyond’, including the whole of Asia, the Near East, Africa, the Southern States of the USA, the West Indies and Latin America. On the other hand Scotland, Ireland, the Baltic countries, and Eastern Europe were omitted. Wallerstein himself, in fact, emphasised the divergence between Eastern and Western Europe during the long sixteenth century, stressing the role of Polish grain supplies in feeding western European cities before ca. 1650 – in other words, a development on the European periphery. But he nevertheless saw his expanding world-economy as expanding *outwards* from Europe to incorporate more and more of the rest of the world.

4 The phenomenon of alternating long-run phases of expansion and contraction within the world system as a whole, elaborated by Braudel and taken over by Wallerstein, has always struck me as important. And recent research confirms the existence of long Kondratieff cycles in Asia as well as Europe as far back as the tenth century, summarised by Frank.

[1-2, 3] Over the past twenty years, the writings of Chaudhuri, Abu Lughod, Chase-Dunn, Blaut and Gundar Frank have emphasised the Eurocentricity of Braudel and Wallerstein’s conceptions, dramatised in the former’s famous pair of globes. **[4]** Chaudhuri has established the primacy of Asia before Europe, and the importance of the emporia system of the Indian Ocean as the ‘cradle of globalisation’ ca. 1500. Abu-Lughod has pushed the boundaries further back in time, to the thirteenth century, to describe the Eurasian world-system. Her remarkable map plots the eight circuits of that system, each of which she describes as subsystems, capable nevertheless of self-sufficiency **[5].**

I don’t want to get stuck in the debate about the chronology and origins of globalization at this point. Diego Olstein has usefully classified a range of different positions and describes the extremists as those who locate its origins either in the medieval or distant past (Abu Lughod, Frank &c) or else in recent decades, while the moderates go for either the early modern period or the nineteenth century (Wallerstein versus Hobsbawm). The justification for attaching special significance to the early modern period lies in the European encounter with the Americas and its character as a period of ‘mercantilist transition’, and indeed it is these two things that I want to focus on in discussing shifts within the North Sea/Baltic system.

As we move from Abu-Lughod’s late medieval Eurasian world-system into the early seventeenth century, the centre of gravity within the European subsystem moves from the Mediterranean to northern Europe. It is merchants in the North Sea zone who forge new transoceanic links with the far East, and at the same time begin to create a new Euro-Atlantic trading system – not primarily those operating from the Mediterranean. These twin developments would gather tremendous momentum a century later, and they ushered in huge changes in the North Sea staplemarket system comparable with the rise of the emporia trade of the Indian ocean in an earlier period. We can redraw and simplify Abu-Lughod’s map to illustrate this. Because every subsystem is a subsystem of something larger, I prefer to use the phrase ‘intermediate zone’ to describe the North-Sea-Baltic system. Like the Mediterranean region, it was a subsystem of the larger European world-economy. **[6 and 7]** And let me reiterate: each intermediate zone is complete in itself, with its own hierarchy of zones, its own core and peripheral areas; and each has the capacity to merge with or incorporate others. Conversely, as Braudel pointed out, during periods of crisis or contraction, world-economies tend to fragment into their smaller component parts.

So: let me move on to consider how we can explain shifts *within* the North Sea-Baltic zone within this kind of context, and particularly the shift from Amsterdam to London. The convenors asked me to highlight the role played by institutional change in this, particularly in England, and the significance of exogeous influences. Actually, there's a sense in which global history doesn't recognise exogenous factors – everything is counted in, albeit mediated through regional adjustments. So let me recast things in terms of human agency and 'ingenuity' on the one hand, and nature and the environment on the other – perhaps god-given in the short run, but easily reshaped by Netherlanders! There is of course something to be said for the notion that the English gave most of their energy to reshaping their political and economic system from 1640 to 1714, while the Dutch gave most of theirs to reshaping the natural environment after 1609. But more broadly, the current fixation on institutional structures in history requires that we look at the other side of the equation, the natural environment, which provides the parameters of a regional or world-systems approach.

1. Institutional restructuring

Some enthusiasts for NIE have recognised the positive aspects of inter-state rivalry. But I hardly need to stress the wide differences between the Dutch state system, as a federation of city states (56 cities), and the centralised English state. The struggle was a highly unequal one. If the Dutch state was formed in rebellion against Spanish centralization and fiscal pressure (pressures operating from outside the region), the emergence of a fiscal military state in England, and what Mike Braddick describes as the 'imperial shell' of the Navigation system, were formed largely in response to Dutch and French competition on its doorstep. Charles Tilly was right to suggest that both the Dutch and English states were capital intensive, while the English state, additionally, was strong on coercion.

The restructuring of the North Sea staplemarket system was a violent business achieved through the agency of the English, later British, state. There were two distinct stages **[11]**. The first was a republican but anti-Dutch measure, Cromwell's Navigation Act of 1651 and its successors. The acts attempted to eliminate Dutch participation in England's carrying trade, first in the North and Baltic Seas, and later in the Atlantic. The debate about the effectiveness of the Navigation Code is no doubt endless, but the essential point is that it gave leverage to English principals, merchants and shipmasters in securing a dominant position in trades where they were losing the advantage. Douglass North would describe this as 'rent-seeking' behaviour. No doubt it was, but it formed part of a much more serious programme to develop a national entrepot, capable of handling a vast imperial trade network. The 1651 act was extended in 1660 and 1663, and the system was made more workable in 1673 and 1696, when private registration of vessels was required. In 1672, customs farming was replaced by a Board of Commissioners of Customs, and the establishment of Treasury control was completed in 1676 – a decade after the Dutch had captured the English flagship in the river Medway, the *Royal Charles*, which had signified the Crown's incompetence in financing the Royal Navy.

A second and more far-reaching stage of restructuring came in the wake of 1689 and the Anglo-Dutch dynastic alliance. It involved the liberalisation of trade (extending the freedom to trade) combined with the unprecedented raising of tariff barriers. France was the principal target. William requested the repeal of the English Navigation Acts when he ascended the throne, but was quickly told he would lose support for his war against French trade if he persisted. This was constitutional monarchy, limited by the Bill of Rights, and Cunningham described the new mercantilism as a kind of ‘Parliamentary Colbertism’. It was operated by a Protestant Capitalist International comprising British, Huguenot, Dutch and Anglo-Dutch merchants, but their base was London rather than Amsterdam, not least for reasons of security. Most of William’s Dutch supporters could remember the catastrophe of the *rampjaar* of 1672, with the French invasion.

In terms of commercial restructuring, 1689 substituted parliamentary control for the Crown’s previous policy of granting monopoly powers to merchant corporations. In place of royal loans and fees, enhanced revenue now came from higher taxation of overseas trade, together with the excise and the land tax. Almost immediately, England’s principal export trade to Europe, woollen textiles, was deregulated in 1689 through the abolition of the Merchant Adventurers’ monopoly. The Merchant Adventurers with their staple towns in Holland had provided the main mercantile opposition to the Navigation Acts. Their final disappearance signified the replacement of a localised monopoly by the overarching monopoly of the Navigation code and the imperial system. Four years later in 1693, the original East India Company effectively lost its monopoly, and a new inclusive organisation was established in 1709. And since the Revocation of the Edict of Nantes in 1685, London’s business and financial community was swollen with hundreds of Huguenot merchant houses, brokers and tradesmen. The combined effect of these changes was a ‘cosmopolitanisation’ of London’s commercial life and a huge influx of merchant capital from Germany, the Netherlands and Northern Europe. At least one-third of London’s commodity exports to nearby Europe were financed by resident foreign merchants by 1695, and the proportion of all English trade with the continent financed by overseas customers increased.

Two important long-term consequences followed. The first was a move by native-born English merchants out of the nearby European trades, to the Atlantic trades. In a real sense, there was a functional relationship between the restructuring of the North Sea economy and the Atlanticisation of British trade. New capital and merchant skills were released for deployment elsewhere, and the whole Atlantic enterprise was encouraged by new Board of Trade, formed in 1696, and a strengthened Navigation code. Secondly, increased internal freedom of trade was balanced by substantially increased external protective tariffs, especially from 1690-1704, when customs revenue quadrupled. And the essential point here is that enhanced revenue was obtained for both import-saving purposes and the development of import-substitution industries, with subsidies. The main industries which benefited were English paper, silk, ceramics, calico-printing and naval stores, and Scottish & Irish linen. Revenue was also diverted towards granting bounties on grain and linen exports, and reduction (or drawback) of excise on several British-made exports, and abolition of import duties on several types of industrial raw materials **[12].**

Perhaps the most striking feature of all this was the development of new import-saving industries on the British periphery, especially Scotland and Ulster. The policy was in some respects colonial, not least in its use of cheap labour. At the same time, subsidised cereal growing and export was developed in England from 1689, which to a large extent reduced Dutch dependence on Baltic supplies. From England's point of view, the strategy helped to maintain the cereal acreage and preserve rents at a time of low farm prices, while reducing the import bill for foodstuffs. This, in effect released valuable purchasing power for strategic Baltic and Northern European imports: timber, hemp, naval stores and Swedish bar iron. So this was the increasingly coherent policy of a centralised, aggressive state, drawing on the resources of localised as well as distant colonial peripheries.

My impression is that the Republic's commercial policy was almost the reverse of this, with a relatively unchanging *handelspolitiek* of low external tariffs, municipal encouragement of invention and new industrial processes, but with a layer of restrictive practices permeating the wholesale markets of Amsterdam and Rotterdam. Veluwenkamp described the latter as 'monopolistically' competitive' practices, whereby each merchant sought to reduce risk and control his own market. This was arguably easier to do within a decentralised state structure composed of independent city markets, and it reflects the pre-national origins of the staplemarket economy. As far as the gild structure is concerned, recent research has revised a generally negative series of views, in the sphere of production and skill transfer. But doubt remains about the persistence of oligopolistic controls over output and marketing, which were often damaging.

To the problem of monopolistic practices must be added those arising from frequent inter-city disputes and rivalries relating to taxation, conflicts relating to commercial and industrial interests, political decision making, defence issues, and so on. Federalism was not a cheap solution to government, and although the dispersal of power across several centres may have given people a stake in decision making, a high price was paid in terms of the difficulty of adapting to changing circumstances. Most seriously of all, federalism hindered the framing of a coherent economic policy, even in the form of a decisive response to aggressive mercantilist neighbours.

After reviewing these arguments comparing the Dutch and English institutional matrix (as set out in my *Rise of Commercial Empires*), Jan de Vries suggests that the problem appears to revolve around two alternative forms of inefficiency, and as such represents a mis-specified model. This completely misses the point, and falls into the trap of conflating every attempt at market control, whether at the level of the state or municipality, into the same homogenised rent-seeking pattern. So I ought to repeat that: (1) the other side of the coin stamped with the Navigation Acts contained a coherent tendency towards industrial development and ISI; (2) the liberalisation of trade achieved from the 1690s was part and parcel of the movement towards representative government achieved under William and Mary. It broadened out the social basis of English commercial expansion and, paradoxically, encouraged the growth of a cosmopolitan trading community within the structure of a formally 'national' entrepot.

2. The environment, resource endowments and location

The other major factor which favoured London rather than Amsterdam as the primary entrepot city of the North Sea system was its environment, in relation to: its secure island hinterland; its links with Atlantic as well as North Sea ports; and the almost unlimited availability of domestic and industrial fuel in the form of coal. The Republic's position on mainland Europe in relation to the transit trade must also be taken into account. Even if Holland had wanted to raise tariffs to protect manufacturing interests, the requirements of the transit trade would always militate against it.

There is a sense in which the English nation state would not have been able to pursue the mercantilist stratagems that it did without an already favourable endowment of natural resources, including rich mineral deposits and a farming sector able to meet the country's basic food needs in normal times. It was these advantages that made import substitution a feasible project whilst facilitating London's continued growth beyond the mid-seventeenth century. This is what Braudel was referring to in his discussion of cities and territorial states, when he said that London created the national market as its hinterland, and was in turn created by it. The growth of cities is obviously limited by available energy surpluses, of food and fuel. Historians are still not agreed about the extent of the early modern energy crisis in Europe, and Bob Allen argues that many areas were exempt, including parts of Britain. But even Allen admits that timber was acutely scarce in seventeenth century London, and that coal was an essential supplement for domestic and industrial uses. Peat supplies undoubtedly gave Holland an enormous advantage which carried the economy, including that of the cities, through the energy crisis. Contemporaries often marvelled at Dutch success in making the most of an unpromising natural environment, including the exploitation of wind power, water and waterways, as well as peat reserves. De Vries and van der Woude emphasise how these combined sources provided a uniquely large amount of available energy per worker. A series of industries based on low-intensity thermal energy developed as a result, such as breweries, distilleries, tile-making, ceramics, dyeing, sugar and salt refineries, which often involved the processing of imported raw materials.

In time however, these advantages backfired. By the late seventeenth century, Holland became increasingly dependent on English and Scottish coal to supplement diminishing peat reserves, as technical problems in switching to coal were solved. This took place to a degree that historians have previously underestimated, and seriously so. The problem arises through errors in the English customs records, which used a variety of measures of capacity, together with under-recording. The true volume of English coal exported to Holland during the first forty years of the eighteenth century was between two and three times that suggested by Richard Unger in his revised estimates. Already by the 1720s, Dutch coal imports came to exceed 100,000 tons in some years. To my mind, this represents what Wrigley describes as an advanced organic energy regime under pressure, and it does so for three reasons:

1. British coal, was taxed both at the British and the Dutch ends of the chain. Shipping and handling charges multiplied the first cost of the coal in Newcastle by between 500 and 800 per cent (including English duties, but excluding Dutch excises).

2. Peat reserves were used up much faster than British coal deposits, and destruction of farmland through peat digging was extensive, accompanied by the phenomenon of deserted villages.
3. The use of coal added significantly to pollution problems accompanying the growth of the processing industries, in a confined urban environment. As time went on however, the processing industries of Holland faced further serious problems arising from pollution of the surface water, especially in Rotterdam, Schiedam and Amsterdam which continued to expand throughout the seventeenth century (the problem of the *oppervlaktewaterverontreiniging*). Sugar refining, linen bleaching, cotton printing, textile dyeing, brewing, distilling, and paper making all generated noxious effluents and waste, yet also required plentiful supplies of fresh, pure water. But land reclamation, the consequent reduction of tidal action in the Zuider Zee, and river navigation schemes combined to slow down the rate at which surface water was discharged at precisely the time when these industries were expanding most rapidly. Historians have stressed the deleterious environmental consequences, but have said less about the price paid by these industries in terms of the increasing struggle to maintain quality.

Just as imported Baltic grain and timber had enabled the Dutch urban economy to grow during the late sixteenth and early seventeenth centuries, imported British coal enabled the processing industries of the cities to develop a new lease of life during the early eighteenth century, especially those of Schiedam and Rotterdam. But dependence on imported raw materials, the life-blood of those industries, placed them in an increasingly vulnerable position. During the second half of the eighteenth century, prices of imported primary products rose faster than the republic's exports of consumer goods and services, causing a substantial deterioration in the terms of trade. Joop Faber calculated a 15 per cent decline during the last three decades of the century, based on weighted price indexes. This adverse movement was largely based on external circumstances beyond the republic's control, in a situation of structural dependence on foreign trade.

In conclusion, it can be said that the 'struggle at the core' of the North Sea economy involved competition for the resources of its local peripheries, especially those of the Baltic and of the semi-peripheral Scandinavian countries. Britain turned increasingly towards its own Celtic margins in the drive towards import substitution, but environmental and resource limitations imposed their own logic as to how far growth on this pattern could proceed – on both sides of the North Sea. Britain's long-term solution may be specified in the formula sketched out by Pomeranz: one of 'abolishing the land constraint' by attempting to incorporate the resources of the Atlantic frontier into the North Sea matrix, which included timber, shipping, colonial groceries and tobacco. Commercial growth clearly was possible in the age of mercantilism, and the state's effort's to co-ordinate markets undoubtedly met with a greater degree of success that some economists would have us believe.