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Review Of "A Financial Revolution In The Habsburg Netherlands: Renten And Renteniers In The County Of Holland, 1515-1565" By J. D. Tracy

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Review

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Book Reviews

A Financial Revolution in the Habsburg Netherlands: Renten and Renteniers in the County of Holland, 1515–1565. By James D. Tracy. Berkeley and Los Angeles: University of California Press, 1985. Pp. xv + 276. \$35.00.

Robert S. DuPlessis
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The establishment of a secure public debt is rightly regarded as critical to the formation of the modern state. In this pathbreaking book, *A Financial Revolution in the Habsburg Netherlands*, James Tracy argues that the fiscal measures, financial imperatives, and political conjuncture producing this innovation coalesced first in the 16th-century Low Countries, long before England's better-known financial revolution. Concentrating on the province of Holland, the study elucidates the process of fiscal change from the provincial parliament's acceptance of responsibility for interest payments on annuities (*renten*) necessitated by growing war expenditures, through their consent to new taxes to back additional annuities, and, finally, to the abandonment of coercive sales and the flowering of a free market in public debt. These changes permitted a vast increase in the amount of debt contracted and fostered the recomposition of the investing public, which Tracy subjects to an extended and nuanced analysis. During the 17th century, essentially the same credit instruments, purchased by the same kinds of investors, enabled the Dutch Republic to assume an enormous burden of debt and conduct a long series of costly wars successfully.

This brief summary cannot do justice to the richness of Tracy's subtle and gracefully written account, which is alive to the complexities of polity and fiscality in the conglomerate, particularistic Netherlands. His painstaking demonstration of the strong positive correlation between *rente* purchases and officeholding is a model of imaginative exploitation of diverse, scattered, and incomplete sources. Even the nonspecialist will find much of value in Tracy's dissection of government revenues, modes of tax levying, and the relationships between provincial and central regime finance.

Research into early 16th-century Dutch history tends to be dominated by the search for causes of the Revolt, and though Tracy avoids the distortions that such a focus can introduce, he does not shrink from advancing provocative suggestions. If the county of Holland is any guide, a destabilizing disparity emerged between solvent provinces, which in

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return for accepting new taxes and annuities in the 1540s won control of tax collection and expenditure, and the central state apparatus, constantly starved for funds as the proceeds of these levies ended up not in the pockets of the prince but in those of annuity buyers. Yet, the near monopolization of *rente* purchases by officeholders inflamed chronic elite factionalism, paving the way for the overthrow of incumbents linked too closely with an unpopular princely government.

Tracy is attentive as well to broader implications of his findings, and it is this dimension that particularly commends the book to students of comparative institutions, state formation, and historical sociology. The book opens with a fine survey of regional patterns and national variations in European public finance in the later Middle Ages, focusing on those features that were to be fused in the early modern Netherlands. Returning to a comparative perspective, the conclusion emphasizes the specific circumstances and structural reasons why the Netherlands proved able to mobilize massive resources through long-term debt first. The author sheds light, too, on much-debated social developments, notably the so-called treason of the bourgeoisie, which on his evidence looks more like a reluctant retreat of capital from declining sectors than a status-seeking betrayal of a vigorous economy.

Every pioneering study fails to account for all the issues it raises, and this one is no exception. For instance, the hypothesis that officeholders dominated annuity purchases because they could no longer spare the time necessary for active participation in business is based more on supposition than on direct evidence and, moreover, ignores forms of partnership that made trade and office compatible. Indeed, both the attractiveness of annuities as investments and the strongly factionalized political situation suggest that nonofficeholders were not disinclined to buy *rentes* but were discouraged from doing so—that, in other words, oligarchs consciously maximized their investment, reducing opportunities for participation by outsiders. In any event, analysis of overall investment patterns is necessary before we can determine the economic and political significance of *rentes* to their purchasers.

Nor is the problem of the relationship of fiscal structure to political revolt resolved. According to Tracy, public debt helped amalgamate urban patricians and nobles into a provincial ruling class that was allied with the central regime and increasingly inattentive to the (largely commercial) interests of municipal elites. However convincing this interpretation may be for Amsterdam—and even here the role of annuity investment in forging a progovernment party is far from clear—it seems equally likely that elsewhere the new fiscal arrangements sustained a ruling group that simultaneously controlled both provincial states and municipal governments and that, secure in its power bases, eventually proved both willing and able to revolt against the Habsburg government. Such a scenario might explain phenomena that Tracy rightly emphasizes: the role conflict of urban patricians before the Revolt and the great degree of continuity between pre- and post-Revolt regimes.

That such propositions are even conceivable is indicative of the substantial achievement of this important book. Like several other contemporary scholars in this country and abroad, James Tracy has demonstrated once again the significance of the Dutch experience for understanding the forces that transformed Europe. Let us hope that he continues his explorations of the early modern Netherlands.

The Rise of the Trading State: Commerce and Conquest in the Modern World. By Richard Rosecrance. New York: Basic Books, 1986. Pp. xiii + 268. \$19.95.

Randall Collins

University of California, Riverside

Richard Rosecrance, the author of *The Rise of the Trading State*, is a former State Department official whose view of the world is considerably at variance with what he finds in the academic study of international relations. The academics, he finds, are still hung up on power conflicts and state hegemony. But world reality, at least as it has emerged since 1945, has shifted in a new direction. Peaceful development through international trade has become the primary path to prosperity and even to world leadership. A true interdependence has emerged that greatly increases the benefits of peace, while the costs of war have made that path to expansion obsolete. Unfortunately, not only academics but also some nation-states are still trapped in the mental atmosphere of old-fashioned power politics—the United States, the Soviet Union, and some of the belligerent sword rattlers of the Third World among them. Hence, the threat both of nuclear and of local war hangs on. But this is unnecessary and atavistic. It is the new, internationally oriented trading nations of Europe and the Pacific rim, above all, who are becoming the world leaders. Japan is the most spectacular success story of this trading path. Theories that imagine it is merely the new hegemonic state that should succeed have missed the point: Japan is not next in line to the old empire builders but is the shining exemplar of what can be achieved by giving up pursuit of military hegemony and becoming wholeheartedly a trading state.

Rosecrance's policy aim is to reorient the United States away from the old military power game and toward throwing itself wholeheartedly into the world trading economy, thereby averting nuclear war and ensuring prosperity. We are at a crossroads, he suggests, although he indicates the trends that gradually implicate us more and more, like it or not, in the international economy. This is an optimistic and appealing vision. But is it true?

Rosecrance bases his argument on a historical view of Europe and its colonies since the Middle Ages, on a critique of existing theories of international relations, and on his recent observations. Much of this is rather