

‘Het Redres der Finantiën’

Public Finance and Economic Reform during the Batavian Revolution

RMA Thesis

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Introduction

“Credit, private or public, is of greatest consequence to every country. Of this, it might be called the invigorating principle.” (...) “Credit is an entire thing. Every part of it has the nicest sympathy with every other part; wound one limb, and the whole tree shrinks and decays. The security of each creditor is inseparable from the security of all creditors.” (...) “[Debt is a] sacred obligation [to be] paid in full.” (...) [Enriching a small class of bondholders is] “a necessary evil in the transition to sound credit.”¹

-Alexander Hamilton

“The good faith and belief of all the well-appointed governances, which remains equipped with moral persons, even though the shape and members may change, [means that the governances] will not allow that the Creditors of the state should doubt for a single moment the payment [of interest] (...) all depends on established Credit.”²

-Isaac Jan Alexander Gogel

In 1789, as the French Revolution began, the American Revolution entered its second phase. With independence from the British secured, the Founding Fathers now found themselves at odds over the political and financial arrangement of the state. This involved the Constitution, the Bill of Rights and, even more contentiously, a range of financial measures such as the creation of federal taxes, a national debt, and a national bank. About six years later the regime of *stadtholder* William V of the Netherlands was overthrown in a peaceful revolution. Dutch militias inspired by French and American revolutionaries crossed the Rhine backed by French reinforcements and declared a Batavian Republic. The French viewed the Batavian Republic and other neighbouring states as sister republics and aimed to encourage the establishment of like-minded regimes. Although it is tempting to compare the Batavian Revolution with the revolution in France, the analogy goes awry on several points such as the radicalization and outcome of the revolution. Instead, the American Revolution makes a far better point of reference. The two republics had similar points of departure and problems. Both the American and the Batavian Republic engaged in a vigorous political debate on the issue of centralization, which resulted in both nations in the creation of two parties, one pro-centralization and another opposed to it.

What’s more, both republics had a politician in charge of finance who had ambitions to introduce far-reaching reforms: Alexander Hamilton, one of the Founding Fathers of the United States of America and the first secretary of the Treasury, and Alexander Gogel, the first minister of finance of the Netherlands. Both men were blessed with great financial insight and were well-respected for it by their contemporaries. Writing some half century ago, the famous historian Robert

¹ Alexander Hamilton in *The Federalist Papers* (1787-88) and his *First Report on the Public Credit* (1790). Quoted in R.D. Marcus and D. Bumer, *The American Scene: Varieties of American History*, Volume 1 (New York 1971); J.C. Miller, *The Federalist Era 1789-1801* (New York 1960); and R. Chernow, *Alexander Hamilton* (New York 2004).

² Quoted in Fritschy (1988), 161. “De goede trouw en religie van alle wel ingerichte landsbesturen, welke persona moralis dezelfde blijft, ofschoon dezelfde vorm en lezen mogen veranderen laat niet toe, dat de Crediteuren van de staat een ogenblik zouden kunnen twijfelen aan derzelve voldoening. (...) alles van een gevestigd Krediet afhangt.”

Palmer drew a parallel between Hamilton and Gogel.³ Both Hamilton and Gogel served in an office and a position that had been freshly created, and presided over a nation that had just emerged from war saddled with debt. Both nations had a history of strong federalism, one of them originating from thirteen colonies and the other from seven provinces, but were engaged in a process of unification which proved highly contentious. Secretary Hamilton and Minister Gogel both belonged to the pro-centralization faction in their respective nations and sought to resolve their nation's financial problems and chaos by introducing a stable fiscal structure, creating a healthy and buoyant financial sector, and restoring the state's creditworthiness. To this end, they outlined goals to create a national bank, a national tax system, and a national debt.⁴ Gogel, who embarked on this endeavour nine years after Hamilton, had the benefit of hindsight; he could learn from earlier attempts by politicians such as Hamilton. Hamilton himself kept a close eye on the efforts of French finance ministers, especially Jacques Necker.⁵ Both Hamilton and Gogel sought to emulate the institutions of the British state, which they deemed prudent financial institutions, despite the widespread aversion felt towards the British in each of their respective nations.⁶

On the other hand, there are some evident differences between Gogel and Hamilton. To begin with, Hamilton is a well-known figure in his country due to his status of Founding Father. Gogel is a more obscure figure in the Netherlands just like the entire Batavian period that preceded the Kingdom of the Netherlands. Although he has recently received more attention from historians, he will never come to be considered a Founding Father of the Netherlands. In a wider perspective, Hamilton was a more successful financial policymaker than Gogel, accomplishing virtually all his plans and doing so within a short span of time (1789-1795). Gogel, by contrast, saw only some of his plans introduced, and in some cases only years after the dismissal that ended his second term of office. In his first term as minister of finance (1798-1801), Gogel encountered many obstacles that stalled his proposed reforms. For instance, it was only in his second term (1805-1809), serving under Napoleon's brother Louis Napoleon, that he could implement his new taxation system. His plan for a national bank was never brought to fruition, though it did serve as a blueprint for the Dutch National Bank in 1814. Gogel's situation was simply more complex than Hamilton's. While Hamilton could in a sense create a new world, Gogel had to modify an existing one. Hamilton brought about a financial revolution in the United States, while Gogel had to deal with the collapse of a financial system that had functioned well for 200 years. All this throws doubt on Palmer's comparison. Besides, Hamilton had the good fortune to reform his country during peacetime, while Gogel had to deal with a large global war that the Netherlands was dragged into by France. As a consequence, military expenditure

³ R.R. Palmer, *The age of the democratic revolution: a political history of Europe and America, 1760-1800* (Princeton 1959-64).

⁴ Chernow, *Alexander Hamilton*, 287. R. Sylla, 'Financial systems and economic modernization', *The Journal of Economic History*, Volume 62, no.2 (June 2002) 277-292.

⁵ Chernow, *Alexander Hamilton*, 287-88.

⁶ *Ibidem* 347. J. de Vries and A.M. van der Woude, *The first modern economy: success, failure, and perseverance of the Dutch economy, 1500-1815* (Cambridge 1997) 155.

would remain high for the course of the revolution. Lack of autonomy would have a profound impact on the development of the Batavian Revolution. Another important difference is that America's financial situation was much less of a burning issue, so for Hamilton there was less urgency to reform, while Gogel had to contend with a high tax burden, a colossal deficit and, most importantly, the demands of the financial market. America's financial market was still in its infancy, but its Dutch counterpart was highly advanced and powerful, and Gogel was very dependent on the money it could lend the state. The need to restore and maintain the Dutch state's creditworthiness was therefore a perennial goal for Gogel, and as such, the recurring theme in this thesis. The only advantage that Gogel had over Hamilton was that he was not acting alone in his quest. Gogel was well respected by the pro-centralization faction of deputies (Unitarians), and he collaborated with them, whereas Hamilton had only President George Washington's ear but lacked a party that shared his ideas. Moreover, Gogel belonged to the bourgeoisie of Amsterdam, where he had lived as a merchant before the revolution. He was married into the Van Hasselt family, a renowned mercantile dynasty. Gogel knew many of his fellow revolutionaries from the financial market of Amsterdam and through revolutionary societies and clubs.⁷ One of Gogel's friends, Johannes Goldberg, frequently advised him during his term as minister and later joined him in The Hague as minister of national economy. Because Gogel and Goldberg played such a vital role in the Batavian Revolution and its economic reforms in particular, this thesis will analyze most of the revolution from their perspective. Goldberg wrote a blueprint on Dutch public finance in early 1798, called the 'Redres der Financiën' (restoration of [public] finance). The title is well-chosen, as restoration of public finance and Dutch creditworthiness was what Gogel and Goldberg continuously had in mind.

What makes the Batavian Revolution special is that the financial revolution had to be built on the foundations of a collapsing financial system. This was sharply different from the American financial revolution, which coincided with the birth of a new nation. Richard Sylla credits the Dutch Republic with having the first modern financial revolution. Its economy and financial market subsequently reigned supreme for nearly 200 years until Britain took over, having experienced its own financial revolution. According to Sylla, a modern financial system consists of six components: Sound public finances and public debt management, stable monetary and payments arrangements, sound banking systems (more generally, institutional lenders), an effective central bank, good securities markets for debt, equity, and money-market institutions, and sound insurance companies (more generally, institutional investors).⁸ The United States hardly had a financial system to speak of and its national public finances were a mess after the War of Independence, but Hamilton reversed this within a few years. He laid the groundwork for America's later economic boom by creating a

⁷ M. van Leeuwen-Canneman, *Een vriendschap in het teken van 's lands financiën. Briefwisseling tussen Elias Canneman en Isaac Jan Alexander Gogel, 1799-1813* (Den Haag 2009) XXXVII.

⁸ Sylla, 'Financial systems and economic modernization', 277-292.

financial revolution that encompassed all six of Sylla's components.⁹ By contrast, these components were already in place in the Netherlands during the Batavian Revolution, though most were in decline. The Batavians either had to restore the old Dutch financial system to its former glory or build a new one. This was complicated by the difficult Dutch framework, with more forces at play and a far more dire situation than the one faced by Hamilton, all of which impeded the implementation of reforms. This thesis will show how the Batavians, and in particular Minister Gogel, dealt with these impediments. My main research question in this thesis is therefore: How did the Batavians try to restore state creditworthiness? In answering this question I hope to illustrate the relevance of this period, as the Batavian reforms did indeed lay the foundations of the subsequent and current Kingdom of the Netherlands.

For a long time, Dutch historians have dismissed the Batavian Revolution as something foreign, a French-inspired event. The phrase 'the French period 1795-1813' is often used, which fails to acknowledge the Batavian incentive. Although the French played a crucial if not dominant role, the Batavian revolt was very much a Dutch movement with its own ideals and actions. The tradition of downplaying the 1780-1813 period is deeply rooted in Dutch historiography. More nationalistic historians had greater admiration for the post-1814 Kingdom of the United Netherlands, as well as the seventeenth century Republic of the United Netherlands. They ignored the major influence of the Batavian revolt on the unified Kingdom of the Netherlands. This historiographic oversight was mainly corrected by outsiders, such as the famous Robert Palmer, who placed the revolt in a larger framework of democratic revolutions in the Western World. Cornelis de Wit was the first Dutch historian to respond, but he still had a very linear view of the Batavian Revolution and saw it as a century-long struggle between aristocracy and democracy. As such, he characterized the revolt as a positive attempt to dismantle the oligarchy of the Dutch Republic. His subtitle, 'reevaluation of a period' reveals the disdain Dutch historians typically held for the period. After De Wit, another internationally renowned scholar, Simon Schama, published his book on the revolt in which he also reassessed the period. He referred to the work of Palmer and also portrays the Dutch revolt as a class struggle between patricians and middle classes, as well as a fight against centralization. He argued that the period should not be undervalued, even though some reforms were turned back in the years 1813-15.¹⁰ These socio-political explanations were later refuted by cultural historians inspired by the linguistic turn and cultural turn. Not restricting their attention to institutional and political sources,

⁹ R. Sylla, R.E. Wright and D.J. Cowen, 'Alexander Hamilton, Central Banker: Crisis Management during the U.S. Financial Panic of 1792', *Business History Review*, 83, Part 1 (2009) 61-86. Edling and M.D. Kaplanoff, 'Alexander Hamilton's fiscal reforms: transforming the structure of taxation in the early republic', *The William and Mary Quarterly*, Third Series, Vol. 61, No. 4 (Oct., 2004) 713-44. D.J. Cowen, 'The first bank of the United States and the securities' market crash of 1792', *The Journal of Economic History*, Vol. 60, No. 4 (Dec., 2000) 1041-60. R.E. Wright and D.J. Cohen, *Financial Founding Fathers: the men who made America rich* (Chicago 2006).

¹⁰ Palmer, *The age of the democratic revolution: a political history of Europe and America, 1760-1800*. C.H.E. de Wit, *De strijd tussen aristocratie en democratie in Nederland 1780-1848. Herwaardering van een periode* (Heerlen 1965). S. Schama, *Patriots and liberators: revolution in the Netherlands, 1780-1813* (New York 1977) 2-23, 646-655.

these scholars also researched the public sphere and Batavian low culture such as pamphlets and poems. The main proponents of this cultural group are Wijnand Mijnhardt, Margaret Jacob and, more recently, Niek van Sas. They argued that after a century of enlightenment, the Dutch were eager to implement reforms and rationalize government.¹¹ Tom Pfeil in turn criticized the cultural historians, asserting that enlightenment was very hybrid and that not all politicians were influenced by it or had read the works of enlightenment theorists.¹² His theory is that the ‘age of revolutions’ was dominated neither by enlightenment ideology nor socio-political changes but by the ‘primacy of finance’. The revolutions in France and the Netherlands and the secession of the American Colonies from Britain were all preceded by fiscal crises that put these states under great pressure and exposed their weaknesses. There were calls for institutional reforms and the ousting of incompetent incumbent rulers. All successive events were a result of this, Pfeil argues, pointing to the chaos and power vacuums that ensued when governments were toppled, the resistance to institutional reforms and increased political agitation in the streets and in public culture.¹³ Despite Pfeil’s valuable contribution to the debate, his work is limited by its linear description of the revolution, depicting it as a rationalized and even teleological process of state formation. His portrayal oversimplifies the complex and unique situation of the Batavian Revolution. In this thesis, I embrace Pfeil’s idea of the primacy of finance, but by stressing the various constraints, interests, coups and policy reversals, I will demonstrate that the process was neither linear nor path dependent.

When we look at the literature on the two important Dutch politicians mentioned above, we see that Goldberg has received noticeably less attention. Far more has been written about Gogel, and indeed he has been described favourably, as ‘one of the best men of the French-Batavian time, a man of talent and of character’¹⁴ and ‘one who deserves more appreciation for his merits than has been given to him so far’.¹⁵ Only one study, written by W.M. Zappey in the 1960s, has been devoted to Goldberg. In this detailed work, Zappey rightly praises Goldberg for his visionary work and advice, yet depicts him as a ‘second-rate figure’ among revolutionaries.¹⁶ Other works that mention Goldberg in the context of Dutch public finance agree with this characterization.¹⁷ In this thesis, I intend to add nuance to that image. If Gogel is the Dutch Hamilton, then Goldberg could be the Dutch Necker. Goldberg was a great statistician and minister with foreign roots, just like Jacques Necker, the famous French minister of finance. Goldberg served longer as minister than Gogel, had his own ideas and was pragmatic enough to manoeuvre his way through the quagmire of politics

¹¹ M. Jacob and W. Mijnhardt, *The Dutch Republic in the Eighteenth Century* (Ithaca 1992). N.C.F. van Sas, *De metamorfose van Nederland* (Amsterdam 2004).

¹² T. Pfeil, *‘Tot redding van het vaderland’: het primaat van de Nederlandse overheidsfinanciën in de Bataafs-Franse tijd, 1795-1810* (Amsterdam 1998) 15-16.

¹³ Pfeil, *‘Tot redding van het vaderland’*, 17-19, 54-60.

¹⁴ Quote by H.T. Colenbrander, in *Gedenkstukken der Algemene Geschiedenis van Nederland van 1795 tot 1840*, Book I, *Nederland en de revolutie, 1789-1795* (Den Haag 1905), 297.

¹⁵ Quote in Schama, *Patriots and liberators*, 582.

¹⁶ W.M. Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg* (Alphen aan de Rijn 1967).

¹⁷ For instance the works of Fritschy (1988) and Pfeil (1998) mentioned below in greater detail.

while the principled revolutionary Gogel got stuck due to his stubborn and straightforward attitude. Both as advisor and minister, Goldberg played an important role in both the Batavian state and in the kingdom of William I. Yet historians in recent years have written far more about Gogel, and their assessments have been favourable, perhaps too much so. The latest work by Vles reads like a hagiography.¹⁸ Canneman focuses mainly on Gogel's correspondence with his secretary at the Ministry of Finance after his first term as minister, leaving out the most crucial period.¹⁹ Both Vles and Canneman stress Gogel's positive results and achievements, something Schama and Colenbrander had already done as well. This thesis, by contrast, details Gogel's plans to reform the economy and the difficulty he encountered in trying to bring them to fruition. We should not omit his failures. Instead, by describing the complicated political process and the many obstacles on his path to reform, we see that Gogel's few successes become more meaningful. Especially if we zoom out, we can stress the significant results Gogel achieved in the long run.

Compared to the views on Gogel, there is less consensus in the financial historiography of the Batavian Revolution. How to characterize the second half of the eighteenth century has long been a contentious matter. The Batavians all agreed that the Dutch Republic was no longer the economic superpower of the seventeenth century, but most of them attributed the nation's decline to mismanagement by the *stadtholder* which could easily be resolved. Historians since then have never reached a consensus about what truly lie at the bottom of the decline. Did the economy in its entirety stagnate, or was it only a state budgetary problem? Were the state's expenditures out of balance with its revenue and was the costly war the final straw for an already overburdened nation? Or did the Dutch state run up against an institutional ceiling that impeded higher taxes, and thus necessitated new reforms? Johan de Vries wrote a classical, but rather gloomy analysis of the Dutch nation in decline: a 'stationary state' (borrowing a term from Adam Smith) where growth was at a standstill, industry uncompetitive due to high wages and lack of innovation, trade stagnant, taxation heavy, public debt irreparably steep, and capital reserves hoarded and invested in foreign loans rather than the domestic economy.²⁰ This period was a 'terminal phase' where the economy was slowly destroyed and national income fell sharply.²¹ Later studies, including those by De Vries and Van der Woude and Van Zanden and Van Riel, agree with this view on most points. That said, the latter study offers some nuance by arguing that the decline was relative and varied regionally. While most industrial towns shrunk significantly, mercantile towns such as Rotterdam saw modest

¹⁸ E.J. Vles, *Alexander Gogel (1765-1821): financier van de staat in tijden van revolutie* (Amsterdam 2009).

¹⁹ Leeuwen-Canneman, *Een vriendschap in het teken van 's lands financiën*.

²⁰ J. de Vries, *De economische achteruitgang der Republiek in de achttiende eeuw* (Leiden 1968).

²¹ De Vries, *De economische achteruitgang der Republiek in de achttiende eeuw*. See also: E. Buyst and J. Mokyr, 'Dutch manufacturing and trade during the French period (1795-1814) in a long term perspective', in E. Aerts and F. Crouzet (eds.), *Economic effects of the French Revolutionary and Napoleonic Wars* (Leuven 1990) 66-69.

growth.²² Van Zanden and Van Riel concur on many points with Pfeil, who argued that the institutions of the United Provinces were incapable of solving the nation's economic problems. Pfeil saw the federal structure, in which each autonomous province levied its own taxes and contributed to a national budget through fixed provincial quotas, as too inflexible. Consequently, the economic downturn was the most important catalyst for the Batavian revolt and led to institutional change. Pfeil: 'The fall of the creditworthiness caused a forced modernization of financial government.'²³ By contrast, Wantje Fritschy refutes the prevailing pessimistic view and argues that the situation was less dramatic. She asserts that the corporative institutions of the Netherlands were no different from those in the seventeenth century, when the Dutch had enjoyed a Golden Age despite a perilous international situation. These institutions were successful, as tax revenues remained high (higher, in fact, than all those of all other nations including the United Kingdom). Public finance was still healthy and the state could borrow at relatively low interest rates. Dutch wealth may have stagnated, but the Dutch remained on average richer than other nations. Fritschy pointed out that during times of war (1780-84, 1792-95) the state was still able to increase the military budget and borrow additional funds.²⁴ While most industrial sectors were in decline, the agrarian sector and shipping were not in the 1780s. The Dutch still had the second highest purchasing power per capita, only recently surpassed by Britain in the 1770-80s, and had enough capital at their disposal.²⁵ Van Zanden and Van Riel argue that because of declining interest on savings, Dutch investors pumped more into foreign markets, possibly to the exclusion of investments that could have been used to revitalize the weak Dutch economy. In their view, the capital market became too reliant on foreign borrowers, which was riskier than lending to the Dutch government. When these borrowers defaulted, as France did in the 1790s, the creditors were ruined.²⁶ Dormans agrees that Dutch capital was increasingly invested in foreign markets and securities, which he attributes to the internationalization of the Dutch market. In addition, interest on foreign securities were about twice as high as Dutch bonds and foreign securities were not counted in tax assessments.²⁷ Dormans agrees with Riley that the advantages of the advanced Dutch financial market (low interest rates) eventually backfired on the nation as investors tried to find more 'productive uses for their savings at satisfactory returns'.²⁸ Nevertheless, the question still remains: could the financial problems of the Dutch United Provinces around 1780-

²² J. de Vries and A. van der Woude, *The first modern economy: success, failure, and perseverance of the Dutch economy, 1500-1815* (Cambridge 1997). J.L. van Zanden & A. van Riel, *Nederland 1780-1914: staat, instituties en economische ontwikkeling* (Amsterdam 2000).

²³ Pfeil, 'Tot redding van het vaderland', 17-18, 208.

²⁴ W. Fritschy, *De patriotten en de financiën van de Bataafse Republiek: Hollands krediet en de smalle marges voor een nieuw beleid (1795-1801)* (Stichting Hollandse Historische Reeks 1988). W. Fritschy, 'Binnenlandse constituties of buitenlandse omstandigheden?', *BMGN - Low Countries Historical Review*. 117 (3) (2002).

²⁵ De Vries and Van der Woude, *The first modern economy*, 706.

²⁶ Van Zanden and Van Riel, *Nederland 1780-1914*, 30-40.

²⁷ E.H.M. Dormans, *Het tekort: staatsschuld in de tijd der Republiek* (Amsterdam 1991) 124-27.

²⁸ J.C. Riley, *International Government Finance and the Amsterdam Capital Market, 1740-1815* (Cambridge 1980) 94-95.

90 be resolved by means of institutional reforms? Or rather, could the creditworthiness of the state be restored by a revolution?

When considering how the Batavians tried to restore state creditworthiness, I hypothesize that a revolution and overhaul of state structures were necessary to push through reforms. For instance, to significantly boost tax revenue, provincial interests and local privileges would need to be swept aside. The institutional capability of the federal United Provinces could only be repaired by force. However, the second part of my hypothesis is that institutional reforms in themselves would never have been enough to solve the Dutch nation's problems around 1800. Peace, or good allies, were at least as important, and perhaps even more crucial than institutional or fiscal reforms. To answer the question of how the Batavians tried to improve state creditworthiness, this thesis poses a number of sub questions: Which measures or reforms were necessary according to Gogel (and Goldberg)? How much priority did Gogel assign to these measures or reforms? Did the Batavians succeed in implementing these reforms? Could the reforms be implemented in the post-revolutionary democratic framework, or was a more forceful regime necessary? Finally, did the implemented reforms have the desired effect?

To answer these questions I searched for personal documents that reveal the plans Gogel and Goldberg formulated. Over the course of this study it became clear that most of the personal documents written by key players Goldberg and Gogel have already been used by other authors. These do not necessarily lead to the same results though, as the other authors who used the same sources reached very different conclusions. To measure the mood and thinking of both the financial market and parliament, I will occasionally sample the prices of Dutch bonds and quote from parliamentary minutes during important reforms and decisions. These minutes have not yet been extensively used by historians. Furthermore, for certain decrees and firsthand information, this thesis refers to newspapers of the Batavian period which offer a vast pool of data.

The first chapter will explain the initial years of the Batavian Revolution. Both Gogel and Goldberg played a role in the revolution from the very outset, gaining experience that would later prove crucial. A matter of paramount importance will be the discrepancy between the Batavians' economic ideals and plans, and the subsequent reality. This chapter will lay out the impediments to reform in the so-called 'velvet revolution' and consider whether these could be overcome in a democracy.

Chapter two will focus on extraordinary fiscal measures in 1798-99 and will reconstruct the process through which these measures were implemented. During the already difficult implementation of the proposed fiscal unitary centralization, Gogel was forced to push through painful levies on Dutch citizens. The Chamber was not easily convinced by his reasoning and dragged its feet on several occasions. Only after very long deliberations did it implement some measures that temporarily resolved budgetary problems. In this chapter I will scrutinize the terms and conditions that led to such protracted negotiations.

The third chapter describes how Batavian reforms were implemented from 1800 to 1810, both with and without Gogel in office. The continued tug-of-war between parliament and Gogel and Goldberg increased, up to the point where both ministers were sacked. After a brief conservative and reactionary interlude, in which several reforms were reversed, the nation was governed by a succession of increasingly authoritarian regimes. Even though these regimes did manage to enforce previously-stalled reforms, they could not solve all the nation's financial problems or restore the state's creditworthiness.

Chapter 1: The first reforms, 1795-1797

Financial starting position

The Batavians inherited a tenuous financial position from their predecessors. During the Fourth Anglo-Dutch War (1780-84), a sideshow of the American War of Independence (1775-1783), the United Provinces fared badly against the British. The Dutch fleet was in a perilous condition and could not defy the English supremacy on the high seas as it had done in the 1660s. This failure had catastrophic results for Dutch shipping and, because trade was so important for the United Provinces, for the entire republic. Precious Dutch colonies had to be yielded and commercial concessions had to be made to the British in the Treaty of Paris. The Dutch had gained nothing, but their debt had increased considerably, of which the Estates of Holland carried the lion's share. The slow decrease of the past 30 years had been undone in just five years, see figure 1 below. The defeat led to a call for reforms, which grew into the famous Patriot Revolt, a precursor to the Batavian Revolution eight years later.²⁹ The revolt was quelled by a Prussian intervention in 1787, but the Prussians recouped the costs of the intervention from the Dutch state. To pay for this, the Dutch

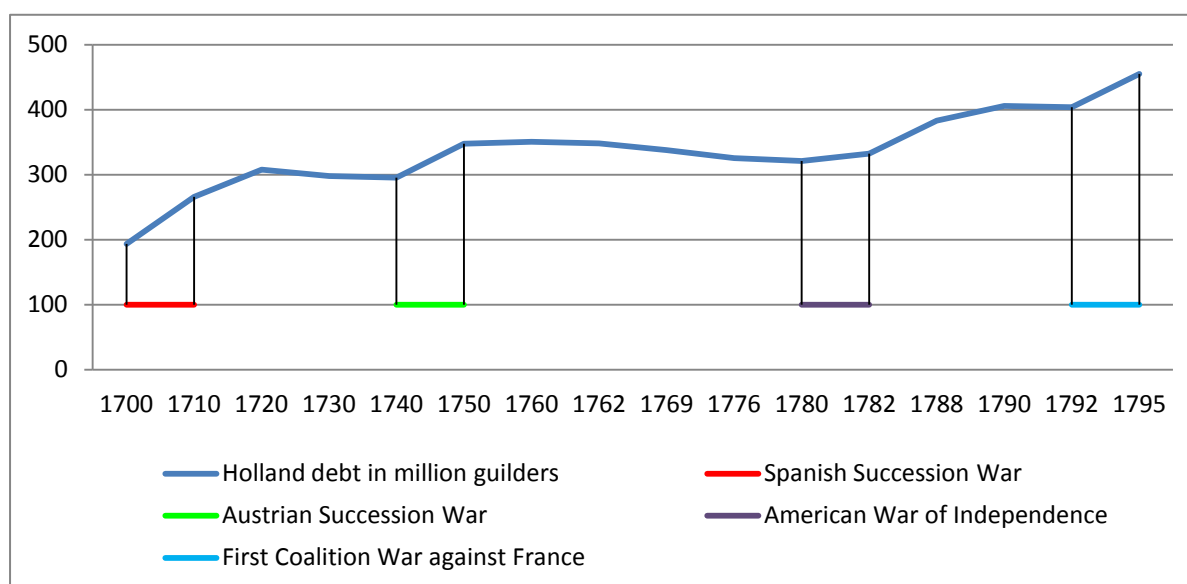


Figure 1: The debt of Holland in the eighteenth century.

Sources: Van Zanden & Van Riel Amsterdam (2000). Gelderblom & Jonker. 'Public Finance and Economic Growth: The Case of Holland in the Seventeenth Century', *The Journal of Economic History*, 71, (2011) 1-39.

had to borrow additional money but Dutch creditworthiness slowly declined. Moreover, the fleet had to be rebuilt after its stinging defeat, which meant that even more money had to be borrowed. The problem of the Dutch government was that it had trouble to find lenders at the money market of Amsterdam. Most of the major Dutch banking houses favoured the Patriot Revolt, not the regime of the *stadtholder*. Secondly, investors gained higher returns on foreign bonds. Foreign powers, France,

²⁹ J.I., Israel, *The Dutch Republic: its rise, greatness, and fall, 1477-1806* (Oxford 1995) 1098-1113.

Austria, and America benefited from the Dutch high excess liquidity in the 1780s.³⁰ In fact, James Riley argues that the advanced Dutch financial system started to work against the Dutch themselves.³¹ The internationalized market preferred to invest in foreign bonds as these yielded higher returns. Even after the yields on Dutch bonds started to rise, foreign securities were more profitable (about four to five per cent compared to two and a half per cent). Grand Pensionary L.P. Van de Spiegel estimated that approximately 475 million guilders was invested in foreign securities. These securities were not taxed, as the special property tax of Holland on securities (one or two per cent) only affected Dutch bonds. Each year a deficit of almost eight million guilders had to be dealt with. The Estates of Holland raised existing excises on a few products, but they never tried to extent the property tax to foreign securities. Neither did the Estates raise the property tax for a few years as they had done on earlier occasions, such as in 1710 and 1746. Instead, they issued in 1788 a ‘Capital Loan’ of four per cent on property against two and a half per cent interest. Everyone with a total property worth of 2,500 guilders or more had to participate in this force loan.³² This yielded over 53 million guilders.³³ In the short term this solved budgetary problems, but the deteriorating creditworthiness did not halt and the 53 million required 1.3 million interest each year. If we look at figure 1 we see an increase of 85 million debt between 1780 and 1790, or 8.5 per annum. With around two and a half per cent interest this would add 0.21 to the debt service each year. However, the interest rose faster this decade, 0.4 per annum, from thirteen million in 1780 to seventeen million in 1790, see figure 2. The yield would then be roughly 4.7 per cent, which means a price of bonds as low as 47 per cent then. Dormans also remarks that the price of Holland bonds dropped below 50 for the first time these years.³⁴

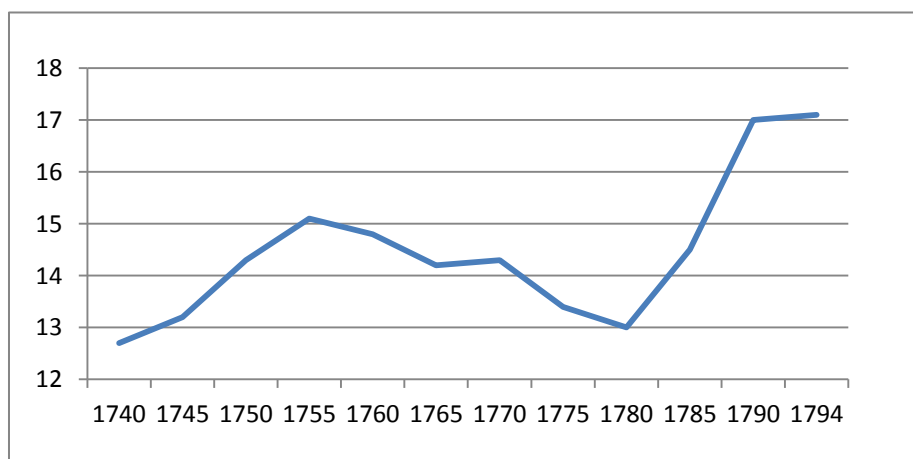


Figure 2: Interest on Holland Debt, in million guilders.

Source: Dormans, *Het tekort: staatsschuld in de tijd der Republiek* (Amsterdam 1991) 117.

³⁰ Dormans, *Het tekort: staatsschuld in de tijd der Republiek*, 125.

³¹ James C. Riley, *International Government Finance and the Amsterdam Capital Market, 1740-1815* (Cambridge 1980) 94-95.

³² Dormans, *Het tekort: staatsschuld in de tijd der Republiek*, 127.

³³ W. Fritschy, 'The Efficiency of Taxation in Holland', in O. Gelderblom, *The Political Economy of the Dutch Republic* (Burlington 2009) 55-84.

³⁴ Dormans, *Het tekort: staatsschuld in de tijd der Republiek*, 127.

The forced loan had given the Estates a brief moment of pause, but the real problem was not solved. Expenditure rose each year because the military needed more money and confidence remained low so interest rates on bonds remained relatively high. At the same time the federal structure of the United Provinces prevented a large increase in taxation, as this was assigned to every province with fixed quota and provinces were adamantly against changing the fixed quota. Federal institutional inflexibility prevented a large overhaul of the system at this moment, but on the other hand, through property taxes and force loans the deficit was solved in the short run. However, the brief equilibrium of 1789-1791 was upset by the French Revolution and the subsequent European war. Because France invaded the Austrian Netherlands (contemporary Belgium) and declared war to the United Provinces the Dutch military budget, already expanding since 1780, had to drastically increase. In 1794 extraordinary military expenses rose to 14.4 million. Ordinary loans in 1793 did not yield enough revenue, so the Estates of Holland issued other forced loan, two per cent on property worth of 2,500 guilders. This was to happen through self-assessment under oath and without interest (the so-called 'Liberal Gift'). The levy did also yield not enough, it brought in 19.5 million, instead of the projected 25 million guilders.³⁵ As the French approached the Dutch border Grand Pensionary Van de Spiegel issued a new loan against four per cent but this again yielded less than was hoped for, about four million guilders. This was quickly spent and the Estates came close to insolvency, and started giving bonds or paper notes instead of cash at the end of 1794. Whether the French would cross the Rhine or not, the United Provinces were at the verge of collapse at that moment.³⁶

In terms of public finances the last year of the United Provinces saw a hopeless situation. Creditworthiness had fallen sharply, prices of bonds had plummeted as lenders no longer had confidence in the repayment of debt and due to military spending increases budget deficits remained high. The question we should ask is, could these problems be solved by institutional reforms or a revolution? Institutional incapability prevented a large overhaul of the system at this moment, but on the other hand, through property taxes and force loans the deficit had been solved in the short run. A continued pattern of yearly extraordinary levies might have solved the deficit in the short term. It would have been better if this was transformed in an annual tax increase of the property tax. During earlier wars in the early eighteenth century the extraordinary property tax had been raised from one to two per cent, the Estates could have raised it in 1788 to three per cent.³⁷ This would yield between six and ten million guilders. Or they could have counted foreign securities as taxable property, which would have yielded between 4.5 and 9 million guilders. This might have solved the most of the extra military expenditure. Another possibility to gain more revenue was to raise the federal budget by demanding larger and fairer contributions of the provinces. A large alteration in the fixed quota was

³⁵ Dormans, *Het tekort: staatsschuld in de tijd der Republiek*, 128.

³⁶ Ibidem 131. A.J. van der Meulen, *Studies over het ministerie van Van de Spiegel* (Groningen 1905) 402-411.

³⁷ Fritschy, 'The Efficiency of Taxation in Holland', 77.

hard to achieve however, a small readjustment only increased the burden for Holland.³⁸ But this adjustment did nothing to solve the budgetary problems, state revenue remained behind government expenditure. This leads to the conclusion that the United Provinces could survive a couple years with increased military spending, but the margins for change were very narrow and a protracted conflict would have caused the end of the system. Without warfare the United Provinces would have surely survived, but any conflict larger or longer than the Anglo-Dutch war would have destroyed the system. If we look at the growth of the debt of Holland in the eighteenth century, see figure 1 above, we see that during times of war the debt grows (approximately 2.75 million annually), while during times of peace the debt stabilizes. Although the decrease in debt is very slow, four per cent between 1720 and 1740 (0.2 per cent per annum) and eight per cent between 1750 and 1780 (0.3 per cent per annum), it shows that the Holland could sustain its debts as long as peace was assured. Dormans argues that the decrease is mainly caused by the mortality rate that annulled payments to people with life annuities.³⁹ If the period between 1780 and 1800 had been peaceful, and the Dutch had continued to pay back the debt at the same rate of 1750-80 then the debt would have been reduced to 300 million guilders, the amount of 1740. This means that for one decade of warfare (adding roughly 50 million debt in the 1740s) the Dutch would need five decades of peace to pay off its war debt. However, the 1780s saw the debt rose from 320 million to 400 million guilders, so at this rate, the Dutch would have needed peace until 1870. The costly decade of 1780-90 was however followed by an even costlier decade which meant that the normal ways would not be enough. Pfeil and Van Zanden and Van Riel see this as a proof of institutional failure. They portray the Batavian Revolution as a rational step in a linear process. Fritschy on the other hand points out that centralization and the removal of corporative institutions did not solve its financial problems and accredits the Dutch for their extraordinary levies and property taxes.⁴⁰

Concluding from what is written above I would say that the Dutch were institutionally capable of lingering on and fighting limited wars. For more extensive warfare or to keep up with the status of great power they would need an institutional overhaul or a revolution. Due to the small size of the Dutch nation peace or good allies were likely more important achievements than institutional or fiscal reforms. The remainder of the thesis explores how the Dutch fared after the Batavian Revolution, what reforms they sought to accomplish and whether these proposed reforms and fiscal centralization would help them restore the state's creditworthiness and to help them survive in the international arena.

³⁸ The contribution of Holland rose from 58,3% to 62%. See De Vries, *De economische achteruitgang der Republiek in de achttiende eeuw*, 177-78. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 128. H. Boels, *Overheidsfinanciën tijdens de Republiek en het Koninkrijk, 1600-1850* (Hilversum 2012) 191.

³⁹ Dormans, *Het tekort: staatsschuld in de tijd der Republiek*, 128.

⁴⁰ W. Fritschy, 'Binnenlandse constituties of buitenlandse omstandigheden?' *BMGN - Low Countries Historical Review*. 117(3) (2002) 344-351.

From ideals to reality

The Batavian revolutionaries were convinced that a lot of financial reforms should be made and that these would improve the state's creditworthiness as well as the equality and wellbeing of its citizens. Their predecessors, the Patriots, had already had this idea in the 1780s. It fits into a pattern of the second half of the eighteenth century, where intellectuals and economists thought of the best form of government. In this period the term 'political economy' was coined. This not only included hard economic facts, but also utilitarian ideals in which a state maximally contributed to the general welfare of its people.⁴¹ One of the famous thinkers of 'political economy' was Adam Smith, who was widely read by Dutch Patriots, including Goldberg, who knew his work well.⁴² Smith stipulated 'four maxims with regard to taxes in general', these were: 'equality or ability, certainty, convenience, and efficiency'.⁴³ At the same time the Patriots developed ideas on the true virtues of men, which also fitted the *zeitgeist*. People such as Montesquieu detested stockjobbers and people that lived a comfortable life from interest alone. Some of the intellectuals hankered for the republican virtues of the Roman Republic: Men of virtue that worked hard, were able to vote and fought for their nation in civil militias. American revolutionaries successfully used these values in their new republic and the Patriots aimed to copy this. This explains the recreation of Dutch militias (*Vrijkorps*), the pursuit of honesty and hard work, and the enlargement of the franchise to all well-to-do citizens.⁴⁴ Simultaneously, the aversion of republicans of stockbrokers meant that Hamilton could not appear to serve the financial market instead of America's citizens. Gogel would later have the same problem, but antipathy towards the financial sector was much stronger in America.⁴⁵

At the same time the Patriots were just as convinced about what had caused the Dutch Republic to be ruined. First of all, the top layer was considered corrupt and not beneficial for the largest part of the nation: A corrupt *stadtholder* who pretended to be a king and an oligarchic class that only cared about its own interests and dominated politics in provincial, local, and national levels. A system where administration costs were thought to be high because of inefficiency and corruption. Instead of a bustling capital market, where honest merchants invested in the economy, a group of 'slothful Regents' was thought to be living off their interests. Finally, a system of taxation that supposedly placed a heavy burden on the lower classes, only to pay interests on the public debt, which mostly went to the wealthier people that possessed bonds. To resolve this problem the Batavian reformers aimed for four things: Firstly, to reduce public expenditure. Transparent budgets

⁴¹ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 78-82, 116-17.

⁴² Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg*, 58.

⁴³ A. Smith, *An inquiry into the nature and causes of the wealth of nations* (London 1776). Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 119.

⁴⁴ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 84-86.

⁴⁵ Chernow, *Alexander Hamilton*, 296-303.

were to be created, open for the public as transparency could solve the perceived embezzlement. Furthermore, the state could save money by cutting the *stadtholder* court and making taxation cheaper and more efficient. The army could do with less money as standing armies were weapons of 'royal prestige'. Secondly, to equalize the fiscal burden. Each province should equally burden its citizens, so each province should have the same taxes, as Adam Smith recommended. In addition, the poor should pay less, preferably by lowering indirect taxation, while the rich should pay more. Thirdly, to reduce the public debt as the debt service only served a small group of people. A national budget and sound finance should prevent deficits and each year debts should be redeemed. Fourthly, to thwart speculators and money-traders. Although not being specific how, the Batavians were determined to terminate shady dealings and speculations by a group of professional speculators, without closing the market.⁴⁶ Gogel and Goldberg agreed with these goals. In his first memorandum Gogel sketched a utopian image of a beautiful state with universal progressive taxation to benefit the middle and lower classes. This was something he kept fighting for his entire life.⁴⁷

The question that looms is whether the convictions and prejudices of the Patriots were true. Gogel and Goldberg would be one of the first to discover that many viewpoints were not true. Both Gogel and Goldberg had been active revolutionaries from the very beginning. They were members of the club *Doctrina et Amicitia* that tried to facilitate the French advance. After the French armies had crossed the Rhine in January 1795 and the *stadtholder* had fled to England, both became member of the Provisional Representatives of Amsterdam. Two important and contentious issues Gogel and Goldberg dealt with foreshadowed later problems of the revolution: centralization and forced loans. All major cities created a commission to review the city's finances. Goldberg sat in the commission of Amsterdam. He reported that the city had high debts and was virtually bankrupt. A voluntary loan was issued of eight million guilders against three and a half per cent interest, however, people subscribed for barely two million guilders. The commission therefore proclaimed a forced loan of four per cent for all citizens that had more than 2,000 guilders, against three and a half per cent interest, which yielded over five million guilders. Goldberg and other financial specialists were initially against such measures, but realized that they were compelled to use it as a last resort. Goldberg would soon become an opponent of voluntary loans, as they rarely yielded the estimated result. With this knowledge he would later argue against voluntary loans on a national level.⁴⁸ After his work in Amsterdam he was assigned to a special 'Personal Commission to examine the state of finance in the province of Holland.' Because of his financial expertise, and according to his own

⁴⁶ Fritschy, 116-18, 237-38.

⁴⁷ Vles, *Alexander Gogel (1765-1821)*, 30-32, 34.

⁴⁸ Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg*, 17.

opinion, the laziness and 'non-attendance' of the other members, he de facto worked alone in this committee for the next two and a half years. When he was finally ready he presented his report to the Assembly. It was a unique statistical and exhaustive work.⁴⁹ To the dismay of his audience, he noted that the administration of the previous regime had been sloppy and chaotic, but there was no evidence of embezzlement. Tax collection had been honest and all the paperwork had been treated with 'great attention and accuracy'. The lack of transparency was probably deliberate to mask the bad condition of Holland's finances for the public, not to engage in fraud. Goldberg calculated that the Estate of Holland had collected 169.7 million of revenue in 1788-1794, but had spent 228.3 million guilders (of which 104.1 to warfare and 112.7 to debt service). The deficit of almost 59 million guilders was enlarged by subsidies and unpaid loans to the West- and East-India-Companies, resulting in a staggering deficit of 81.5 million guilders for the entire period.⁵⁰ This was disappointing to Goldberg's audience, as the deficit was higher than expected and corruption less prevalent. Gogel meanwhile had his own rude awakening from his revolutionary dreams. Both the provisional city council of Amsterdam and the provisional Estates of Holland created an oath of allegiance. The Estates demanded that the city council swore their oath and thereby submit to the Estates. The city council refused after which the Estates demanded their arrest. Barely two months after the revolution a rift had already occurred between the Batavians. Gogel belonged to the pro-centralization group (Unitarians), but other revolutionaries hoped to retain the old federal structure and the power of Amsterdam (Federalists). The stalemate was solved when the city council swore an oath to the 'People of Holland', thereby indirectly acknowledging the supremacy of the Estates.⁵¹

What made the financial situation of the Batavians even more perilous is the bad shape of two old institutions: the Dutch East-India Company (VOC) and the Wisselbank (Exchange Bank). One of the first large financial decisions that the provisional government made in 1795 was the liquidation of the VOC. Its assets and debts were nationalized on 1 March 1796. The moribund company had lingered on for years and lacked the means to defend the Dutch colonies and shipping against the English, with whom the Dutch were now at war. The VOC had pursued a profligate policy in the eighteenth century, paying their shareholders handsomely, even though profits declined. Because shareholders still had shares of the VOC after its nationalization the state had to pay them dividend. The VOC debts were also nationalized and then repaid.⁵² Fritschy estimates that between

⁴⁹ *Rapport der commissie tot het onderzoek naar den staat der finantiën, van Holland, op den 14 December 1797 ter Vergadering van het Provinciaal Bestuur uitgebragt.* (The Hague 1797).

⁵⁰ Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg*, 21-23.

⁵¹ Vles, *Alexander Gogel (1765-1821)*, 27-29.

⁵² Van Zanden and Van Riel, *Nederland 1780-1914*, 96-102.

five and ten million guilders was paid to redeem old debts of the VOC in 1799-1801.⁵³ A second negative consequence was that the defense of the Dutch colonies and shipping now fell on the shoulders of the Dutch state, which cost about three to four million guilders per annum. A third problem was that the Wisselbank had secretly supported the VOC with credit. As the VOC had trouble paying this back, it also hurt the position and credibility of the Wisselbank. The Wisselbank had been a powerful institution, and its *bankguilder* (bank guilder) served as the world's reserve currency. It was trustworthy because the bank did not issue paper banknotes, only a deposit receipt. On top of that, until the 1780s the Wisselbank had always received large deposits and was backed by gold and silver reserves. These reserves however, had decreased with 73 per cent during the American War (1780-84). In the years preceding the Batavian Revolution the *bankguilder* had already lost its value and creditors had lost faith.⁵⁴

Just like Goldberg discovered in the paperwork of the Estates of Holland, the old regime had tried to survive by concealing the truth. Because the Batavians saw transparency as a noble virtue, the bad situation and shady deals were revealed, which destroyed the Wisselbank's reputation. The price plummeted far below par value and a bank run occurred. For the remainder of the revolution the Wisselbank lingered on but it never played a large role anymore. The fall of the quasi-central bank of Amsterdam invigorated debates on a new institution, more on that below. This foreshadows a much larger question about whether the Batavians would try to repair the old financial system that had worked so well for 200 years, or they would try to create a new system as Hamilton had done in America. The bad shape of the VOC and the Wisselbank show that before the Batavians could even start to implement their ideals on the nation and its economy, they first had to cope with the reality. As Goldberg had concluded in his report on the finances of Holland, reality was worse than expected and the venality of the previous regime less worse. Moreover, transparency was a noble aspiration, but also harmed the state's creditworthiness.

The indemnity

An even more problematic and pressing matter was the indemnity the French imposed on their sister republic. Because the Dutch Republic had fought against the French Republic in the First Coalition War, albeit without great enthusiasm or success, the Dutch had to compensate French losses and to repay the costs of the 'liberation'. In the formal treaty that stipulated the liberation, the Treaty of The Hague (1795), the French demanded 100 guilders million of indemnity, of which 30 million was to be paid within a few months, and the other 70 was to be paid in installments of ten million.

⁵³ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 88. This also includes old debts from admiralties.

⁵⁴ Van Zanden and Van Riel, *Nederland 1780-1914*, 102-06. G. van Dillen, 'De ondergang van de Amsterdamse Wisselbank 1782-1820', in: G. van Dillen, *Mensen en Achtergronden* (Groningen 1964) 418-432.

Moreover, one quarter had to be in cash and three quarters in paper notes issued through 'good banking houses'. Apart from the 100 million, the Batavian Republic had to pay about twelve million per year for the support and victualling of the French occupation force of 25,000 men.⁵⁵ Some minor strategic territorial concessions were demanded as well. Only Simon Schama really goes in depth (and into French sources) what the French aims were and how they had come to the high amount of 100 million. According to Schama, most of the French officials saw the Dutch as a milch cow, with well-fed citizens and rich bankers. The Batavians had hoped for a pro-French neutrality treaty and a benevolent relation between two republican nations, and above all they hoped to retain their independence, but the French thought of a defensive alliance with considerable contributions from the Dutch side. Any proposals the Batavians made, such as a free-trade treaty with France to create a much larger market were bluntly brushed aside and their protests were ignored. Dutch Ambassadors and Patriot lobbyists that resided in Paris during the first months of 1795 were badly treated and received a curt and cold welcome.⁵⁶ French Director Lazare Carnot, in charge with foreign affairs, had sent two special commissioners, François Ramel and Charles Cochon de Lapparent, to make an enquiry into the financial capacity of the United Provinces and to assess the wealth of the Dutch Republic. He had no time for Patriots and their wishes, as he put it plainly: 'the so-called patriots, interested only in the expulsion of their personal enemies so that they could replace them in their turn.' From the Dutch perspective, the French demanded large contributions from an allied nation, which economy was no longer as buoyant as before. The Dutch negotiators kept repeating that the legendary Dutch wealth was a myth or something of the past, that great harm had been done to trade, credit, and industry. This was confirmed by the commissioners sent by Carnot, who had disputed the myth of endless Dutch wealth. Their superiors were not easily convinced by this and from a French perspective, they had a point. Although the Dutch economy was no longer as vibrant as before, the Dutch Republic was still relatively rich compared to war-torn France. Its citizens were still relatively affluent, there was still a large quantity of hoarded capital, and contrary to France the capital market still existed. Therefore, the French demanded 200 million guilders, a loan of 100 million guilders at three per cent interest and large territorial concessions. After some bargaining, the Dutch were able to lower the interest rate of the loan and to reduce the amount of the indemnity from 200 to 100 million guilders and split it in instalments.⁵⁷ The Batavians were at this point still very idealistic, full of revolutionary zeal. The priorities of the French at this point of the revolution had shifted however, idealism and dogmatism had been replaced with pragmatism and *realpolitik*.⁵⁸ A benevolent attitude was therefore not to be expected. As the plenipotentiary in The Hague, the

⁵⁵ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 238.

⁵⁶ Schama, *Patriots and liberators*, 192-198.

⁵⁷ *Ibidem* 199-207.

⁵⁸ *Ibidem* 200.

opportunistic Sieyès, said: ‘principles are for teachers in school, interests are for statesmen.’⁵⁹ Thus the Batavians were not treated as equals or a liberated sister nation. General Sauviac, who served in the invasion force, said about the Dutch: ‘Holland has done nothing to avoid being classed among the general order of our conquests. (...) With a very few exceptions the patriots of this country are all timid adventurers led by ambitious intriguers, avid speculators who never dared to take up arms in our favour’.⁶⁰ The indemnity placed a heavy burden on the shoulders of the Dutch. One hundred million guilders was roughly one-third of the national income, according to estimations.⁶¹ Extra levies and loans had to be issued to pay for the first installment. To acquire the requested specie gold and silver were collected among the citizens, and even a new paper currency was invented, see below. To solve the problem of the indemnity, the Dutch had to invent new ways of payment. The following measures show that the Batavian ideals could not be reconciled with the bitter reality, and to escape bankruptcy some of its idealistic Patriot goals would soon have to be abandoned.

Batavian *Rescripties* and *Recepissen*

One way of paying for the French indemnity was through the use of *Bataafse Rescripties*. Because the Dutch Republic did not have 100 million guilders in specie, they were allowed to use paper notes to pay for it. The *Bataafse Rescripties* were loans to the government at four per cent interest. France accepted these as a valuable currency. Through France, third parties such as the United States, Switzerland, and the Hanseatic cities received *Rescripties* as well, but most of the *Rescripties* were very soon capitalized on the Dutch market and therefore presumably ended again in Dutch hands.⁶² These paper notes were very popular with speculators, as their value fluctuated and they were transferable because they were not written on name.⁶³ Private bankers used this to organize lotteries with *Rescripties*. The government later used the transferability to its own advantage. Gogel secretly gave Goldberg (still banker in Amsterdam at this point) the task to buy *Rescripties* in Amsterdam and gave the Jewish banker J. Saportas the same task for Paris. With half a million of state funds, they bought *Rescripties* at a low value and sold them again when the price was higher. This transaction did lighten the burden of the treasury with one million, as *Rescripties* worth half a million could generate one and a half million when sold at the best moment. Gogel would later repeat this action. Private lotteries with *Rescripties* were banned by the Executive on 17 March 1800 because it formed a rival to the State Lottery (*Generaliteitsloterij*), another source of income for the state. There were also

⁵⁹ Schama, *Patriots and liberators*, 203-204.

⁶⁰ Colenbrander, *Gedenkstukken der Algemene Geschiedenis van Nederland van 1795 tot 1840*, Book 1, 595.

⁶¹ De Vries and Van der Woude, *The first modern economy*, 684-85.

⁶² Crouzet, “Aspects financiers de la relation Franco-Batave” in: Jourdan and Leerssen, *aise* (Amsterdam 1996) 56.

⁶³ Fritschy uses the data from: J.B. Manger Jnr., *Recherches sur les relations économiques entre la France et la Hollande pendant la révolution française (1785-1795)* (Paris 1923).

rumours about fake *Rescripties* going around. Apart from making profit on *Rescripties*, the state could use all the papers as a 'second currency' during times when she lacked coin. The state plainly forced people to accept the paper notes, and told them they could transfer it to others.⁶⁴

Another 'secondary currency' formed the *Recepissen*. The *Recepissen* were not a Batavian invention as the first *Recepissen* originated from the last year of the United Provinces, when the Estates of Holland issued promissory notes (*Recepissen*, roughly translated as receipts) in late 1794 because they were nearly insolvent. Paper promissory notes worth almost one million of were created with an interest rate of five per cent, and the right to convert them at the Estates of Holland into life annuities of eight per cent. Despite the high interest rates the public did not trust the *Recepissen*, after which the Estates compelled people to accept the them. During the first years of the Batavian Revolution these first *Recepissen* still floated around. The second *Recepissen* originated from the French *Assignats* that briefly circulated during the year of the French invasion. To great dismay of the Dutch, the French paid with *Assignats* which were practically worthless. The Provincial Estates-General then proclaimed that all *Assignats* that shopkeepers had received from French soldiers had to be given to the local municipalities which converted them in (local) *Recepissen*, which could later be converted in Provincial *Recepissen*. Citizens could use *Recepissen* up to a third of next tax payments and extraordinary forced loans. Although initially reluctant, the government allowed the (second round of) *Recepissen* to be transferable. The Estates of Holland stimulated this trade by re-selling *Recepissen* on the market slightly below their nominal value. The financial market gladly traded it, accepting *Recepissen* at a price of 99% and selling them again for 99.5%. By using the sophisticated financial market, the government was able to use the *Recepissen* to get hoarded cash into circulation again.⁶⁵ In May 1796 the Estates of Holland printed another round of *Recepissen* whose worth twelve million guilders. These had an interest rate of five per cent and again could be used for upcoming levies. At first, it was declared to be a punishable crime to trade *Recepissen* below the nominal value, but again the government sold the *Recepissen* (of 1796) to stockbrokers slightly below nominal value and received specie in return.⁶⁶

What the introduction of these different kinds of paper currency tell us is that the government prudently reacted to the reality and dealt with circumstances, even if that meant abandoning its idealist Patriot goals. The French indemnity was a problem to be dealt with. The government lacked the money to pay the French so they invented new currencies. The brief introduction of unwanted French *Assignats* was solved by issuing more *Recepissen*. Trading these securities on the market, openly or covertly, was not according to the Patriot principles of honest

⁶⁴ Pfeil, 'Tot redding van het vaderland', 127-129. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 183-187.

⁶⁵ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 203-08

⁶⁶ Ibidem 208-11.

finance, but it was an ingenious way of using the financial market. Another advantage was that the liquidity crisis was solved in the short run: specie, that was previously hoarded by people, was put into circulation by trading *Recepissen* for cash, and the availability of new currencies stimulated the transfer of money.⁶⁷ However, the downside was that these currencies were interest-bearing securities, they were de facto forced loans, which demanded interest from the government and therefore did not solve the financial difficulties in the long run.⁶⁸

The Beleenbank

In May 1795 the Estates of Holland took the decision to form the 'Generale Beleenbank voor het Volk van Holland' (General Pawn Bank for the People of Holland). This was another measure invented to solve the liquidity crisis and to aid the payment of the French indemnity sum. An additional reason was the desire to rebuild a reliable deposit bank after the downfall of the Wisselbank. People could pawn their goods, but also their stocks and shares, for 'Beleenbankbiljetten' (Pawn bank bills). The interest rate on the Beleenbankbiljetten was set at four per cent. The bills could only be used to pay taxes and customers had three years to buy their property back. If a person could not pay back the money his collateral was sold by auction to the highest bidder. In upcoming extraordinary levies the Beleenbankbiljetten could also be used, albeit up to a maximum of third of the sum.⁶⁹ Because the province of Holland was in the greatest financial difficulties, a forced loan of six per cent on property was proclaimed, against two and half per cent interest. Additionally, to fight the shortage of specie people were strongly recommended to hand in uncoined bullion. The official proclamation of the Beleenbank is seen below and refers to the shortage of specie and forced loan as well.

THE PROVISIONAL REPRESENTATIVES OF THE PEOPLE OF HOLLAND (...)

We let you know: that We in Our deliberations about the extraordinary Levy [the upcoming forced loan], that we (...) had to decide, (...) to help accommodate the inconvenience or difficulty, in which many of Our good Citizens may find themselves in, when they have to hand in the previously mentioned charges in cash, (...) for that end, have we preceded Our publication of the 26th of this month, with [a call for] the bringing of everyone's uncoined gold and silver, which will be deducted from the forced loan of those people.

(...) We, after great consideration, as well as having heard from the consideration of the Committee of Finance (...) have reached the conclusion that there is no better means of achieving the foresaid than the creation of a temporary General Bank of Beleening [Pawning], for the entire Province of Holland:

Art. 2: That bank shall be opened on the first day of July 1795, and it shall not last longer than three consecutive years, and so until the first of July 1798.

Art. 3: That bank shall be managed by 6 *Commissaires* (...) and each chosen from two people, each nominated by the Municipality of Amsterdam, and to Us [Estates] proposed.⁷⁰

⁶⁷ During the Franco-Dutch War of 1672-78 the Estates of Holland had also treated a liquidity crisis by stimulating the currency circulation with monetary novelties and by making currency more transferable. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 200.

⁶⁸ Ibidem 185-187, 206-08, 216.

⁶⁹ Ibidem 226-228.

⁷⁰ 'Publication of Provisional Representatives of the People of Holland', *Amsterdamse Courant*, 26-05-1795.

The Committee of Finance mentioned was the special committee of the Provisional municipality of Amsterdam. The Beleenbank had its current account at that committee. Because of the predominance of Amsterdam this Committee of Finance acted de facto as on behalf of the Provisional Estates of Holland. All people from the province of Holland could go the Beleenbank. This interconnectedness is seen by looking at the authors of the proclamation, who were not members of the city council but members of the Estates. The duality is further proven by the selection by the municipality and appointment by the Estates. Gogel was selected as one of the first Commissaries. He gladly accepted the nomination and refused to be paid for it. He saw it as a national duty to help the less fortunate citizens of the nation.⁷¹

The Beleenbank had a second monetary function: every time when someone pawned money at the bank, the Committee of Finance created a credit note, which was called *Beleenbankgeld* (literally: pawn bank money). The use of the Beleenbankgeld resembles the aforementioned *Rescripties* and *Recepissen*. This Beleenbankgeld could be used as another paper currency to pay for extraordinary levies. As the citizen of the pawned good had its 'Beleenbankbiljetten' and the Committee of Finance its Beleenbankgeld there would be double bills on one collateral, both of which could be traded.⁷² The fact remains certain that Beleenbankgeld was used as extra currency.⁷³

Most scholars have dismissed the Beleenbank, because only few people used it to pawn goods for the upcoming forced loan, just five per cent. Fritschy however, argues that since the forced loan yielded less money than expected, roughly eighteen million guilders, four million of pawned goods was actually a considerable part of the raised amount, about 22 per cent. If we combine that with the use of the transferable Beleenbankgeld it might have been a useful institution.⁷⁴

All these transferable and fluctuating currencies also had a downside: Pfeil argues that the gross revenue of extraordinary levies and loans was often higher than the net revenue because part of it was paid with all the different kinds of paper money including Beleenbankgeld. These usually had a lower value when converted into real specie. We can also conclude that the enforced payment of the French resulted in an explosive growth in the trade in securities and an enlarged financial sector where all kinds of paper notes were used.⁷⁵ The irony is that this contradicted the Patriotic values of 'thwarting stockbrokers' and ending the speculation in securities. The French also shot themselves in the foot with these paper notes. The Treaty of The Hague stipulated that after the first instalment 47 million of the remaining 50 million guilders could be paid in *Rescripties*, and three

⁷¹ Vles, *Alexander Gogel (1765-1821)*, 55.

⁷² W. Fritschy, 'De "Generale Beleenbank" en de financiële problemen in de beginjaren van de Bataafse Republiek', *Jaarboek voor de Geschiedenis van Bedrijf en Techniek*, 3, 109-134.

⁷³ Van Leeuwen-Canneman. *Een vriendschap in het teken van 's lands financiën*, XXIX-XXX.

⁷⁴ Fritschy, 'De "Generale Beleenbank" en de financiële problemen', 127-28.

⁷⁵ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 230. Pfeil, 'Tot redding van het vaderland', 543-547.

million was used to acquit an old debt of three million guilders. The *Rescripties* were resold on the market by the French until 1804. But the price of *Rescripties* kept falling, from 60 per cent of its nominal value in 1797, to just 28 per cent in 1804. The net worth of the 47 million of *Rescripties* was a meagre 25 million guilders.⁷⁶

Goldberg's blueprint

After his work on the report of the finances of Holland was completed in late 1797, Goldberg started writing a plan for the national recovery of Dutch public finance. This blueprint, called the 'redres der finantien' (recovery of finance), was supposed to aid Gogel in his upcoming duty as minister. The core of the work consists of the premise that the state's creditworthiness should be steady, and its budgets balanced. Without the latter, the former might fall. To achieve a balanced budget in times of war or crisis, extraordinary levies on income could be issued, with the government assessing one's share beforehand.⁷⁷ Goldberg also proposed several institutions. Firstly, the creation of a bureau of conversion, to convert provincial bonds into national bonds, as part of the proposed amalgamation of provincial debt into a fixed national debt. Secondly, to create an amortization fund, with the purpose of redeeming debts. This would later happen, a fund to liquidate old debts was created in secret in 1798. Goldberg himself was tasked by Gogel to use the fund to conduct secret actions on the market.⁷⁸ Thirdly, it would be very important to create a National Bank that would resemble the Bank of England. It would replace the Amsterdam Wisselbank, which was in decline, and the Beleenbank, which was supposed to function only until 1798. Compared to the Wisselbank, the Bank of England had more functions. The former was primarily a deposit and exchange bank but the Bank of England was a national bank that issued loans and facilitated government debt. 'The purpose of this institution, has been learnt, by experience, in neighbouring England, in America, and Denmark, and elsewhere'.⁷⁹ Goldberg thought such an institution would be vital to reassure financiers and to facilitate the circulation of currency. The latter was crucial, as the Batavians were convinced that there was enough money but savings were being hoarded. To support the commercial credit, the bank should start with five million guilders to invest and with a guaranteed yield of five per cent. Goldberg tended to use statistics and data more than his contemporaries, as we have seen when he

⁷⁶ Crouzet, "Aspects financiers de la relation Franco-Batave" in: Jourdan and Leerssen, *Remous révolutionnaires: République batave, armée française* (Amsterdam 1996) 54.

⁷⁷ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, 'Memorie, geformeerd in 1798, aan de Heer Gogel', 'de Hoofdtrekken van hetgene er zou behoren gedaan te worden, om het Gouvernement te accrediteren, en de grond te leggen van het volkomen redres der financiën in de Bat. Republiek.'

⁷⁸ Vles, *Alexander Gogel (1765-1821)*, 104.

⁷⁹ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A. 'Stukken betrekkelijk het oprigten van een algemene voor een Algemeene Bataafsche Beleen-, Discompto- en Depositobank'. "Het nut van deze instelling, door de ondervinding, in het naburig Engeland, in America en Denemarken, en elders, genoegzaam geleraard is."

examined the state of finance of Amsterdam and the Estates of Holland, and advised to create a national bureau of taxation that would provide information for the ministry of finance. This would in turn help the government to check its citizens and their self-assessed income. Pfeil thinks this was inspired by the personal assessment registers that Holland used between 1674 and 1748 for extraordinary levies. As a final advice, Goldberg thought that any new taxation should not be too progressive, in which he differed from Gogel. Possibly to protect interests of merchants in Amsterdam, he was a fiscal conservative and argued that the rich should never be overburdened. The redress of finance should be swift, to keep extraordinary measures short-lived, as extraordinary measures were disastrous for a nation.⁸⁰

A considerable part of Goldberg's blueprint corresponds with the components of Sylla. To restore the state's creditworthiness Goldberg wanted sound public finance and stable payments arrangements. He wanted an effective central bank that resembled Hamilton's bank in America and the Bank of England more than the declining Wisselbank. Sound banking systems and securities markets were already available in the Netherlands but had received a couple of shocks. A few bankers had fled to England, others were in financial difficulties. Insurance companies were still in their infancy and did not play a large role at this moment. Goldberg did not want a financial revolution though, but a financial restoration. Pfeil argues the blueprint has not been used sufficiently by historians.⁸¹ Indeed, we can conclude that Goldberg was well-versed in public finance and his memorandum foreshadowed later reforms. Virtually all of the planned changes of Goldberg were eventually realized. Many of them were even set down in the constitution of 1798. On the other hand he did underestimate a couple of things. He mainly underestimated the ease of implementing these reforms. Achieving a balanced budget would be harder to expect as the margins for change were narrow. Resistance against a central bank and the nationalization of debt also proved to be larger than expected. Both measures would help Amsterdam, where Goldberg himself was a merchant but the provincial deputies had their own interests. Goldberg also imagined the minister of finance as an omnipotent position that would steer the nation away from mismanagement and indebtedness, but Gogel would not be granted such power.

The amalgamation

One of the most crucial tasks in reducing the large debt of the Dutch was to map the precise debt of each province and then possibly to nationalize it. The matter had become more stringent because of all the paper currencies and temporary securities that had to be stopped one day. In contrast to the situation in France, where revolutionaries refused to acknowledge the debt of the *ancien régime*,

⁸⁰ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, 'Memorie, geformeerd in 1798, aan de Heer Gogel'.

⁸¹ Pfeil, *Tot redding van het vaderland*, 203-05.

there was no question whether the provincial debt was acknowledged by the Batavian revolutionaries. Not even the most radical Unitarians dared to propose such as thing.⁸² We can attribute this to the fact that the rupture in France between monarchy and republic was much larger than the transition in the Netherlands, and secondly, no-one in the Netherlands dared to blow up the financial system by refuting all previous debt. Despite the unanimous agreement on the maintenance of old debt, each province and its deputies in The Hague thought very different about the provincial debts. The largest province, and by far the richest, Holland, was heavily burdened with debt and felt that the other provinces had frequently not paid their share of the fixed quote in the United Provinces, after which Holland had to advance the money. The Estates of Holland therefore claimed that their debt was just as much the debt of everyone else, so a amalgamation (nationalization) of all provincial debt was justified. The leading proponent of the amalgamation in the Assembly was the Unitarian P.L. van de Kastele, a financial expert and close friend and ally of Gogel and Goldberg.⁸³ The provinces Utrecht and Zeeland could agree with this view as they had high debts too. Virtually all the Unitarians favoured amalgamation too, as it would bring the centralization of the Netherlands one step closer. Some representatives of the faction of Moderates, such as R.J. Schimmelpenninck, one of the most prominent Moderates, also thought that amalgamation was the best solution. Gogel was not a deputy and not yet a minister at this point, but he supported Van de Kastele as an editor of the Unitarian newspaper 'De Democraten' (The Democrats) that rallied behind the amalgamation. A coalition of Eastern provinces, that had less debts, and Federalists that were against centralization opposed the plan for amalgamation. They thought that Holland had been too prodigal in the past and saw no need to nationalize all provincial debts as Holland's rich citizens profited from the payment of interests. The province of Friesland was a complicated story, as several deputies were conservatives, but Friesland also had a high debt and was a notorious defaulter. An extra argument of the proponents of amalgamation was that the various securities and provincial bonds in circulation could only help stockjobbers (*agioteurs*) to profit.⁸⁴

All provinces provided data of their revenue and debts, see table 1 below. We should be careful with the exact numbers as it remains unclear which province had taken into account all extra revenue and which province did not.⁸⁵ When we look at table 1 then we notice that Holland was right about its claim of being the 'beast of burden' of the nation. At the same time however, Zeeland actually had a higher burden if we look at the revenue of each province. Furthermore, Holland was also the richest province, so having the highest burden per capita does not mean that Holland was

⁸² Boels, *Overheidsfinanciën tijdens de Republiek en het Koninkrijk, 1600-1850*, 167-69.

⁸³ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 158.

⁸⁴ *Ibidem* 157.

⁸⁵ Pfeil, *Tot redding van het vaderland*, 122.

treated unfairly. Fritschy goes even further, and calculates that Holland's share is even less unfair because most of the debt service directly ended up in the pockets of Holland's security-holding class. She argues that the net contribution of Holland, without the debt service, was hardly more than the share of population (42.8 per cent compared to 41 per cent living in Holland) even though Holland had wealthier citizens. Most of the bonds of a province were owned by well-to-do citizens of that same province, so the debt service of Holland largely served its own citizens. The many wars and debts thus accrued the wealth of the security-holding class of Holland.⁸⁶ It is therefore not surprising that the Eastern provinces opposed paying for the provincial debt of Holland.

| | Debt (mil. guilders) | Debt service (mil. guilders) | Burden as % of revenue | Burden per capita (guilders) |
|-------------------------|---------------------------------|---|-----------------------------------|---|
| Holland | 454 | 12.5* | 69%* | 15.7 |
| Gelderland | 8.8 | 0.35 | 22% | 1.6 |
| Friesland | 31.7 | 1.23 | 41% | 7.6 |
| Overijssel | 9.4 | 0.33 | 35% | 2.4 |
| Groningen | 9.7 | 0.35 | 24% | 3 |
| Zeeland | 58.3 | 1.62 | 75% | 14.1 |
| Utrecht | 37.3 | 0.86 | 48% | 8.8 |
| Drenthe | 2 | 0.07 | 36% | 1.8 |
| Brabant | 0 | 0.06 | 5% | 0.2 |
| Total provinces: | 611.2 | 17.37 | 57% (average) | 9 (average) |
| Generality | ≈17.5 | ≈0.7 | | |
| Admiralties | 16 | 0.8 | | |
| VOC debt | 121 | 3.8 | | |
| Total: | ≈766 | ≈22.7 | ≈71% | ≈11.2 |

Table 1: Dutch debt, debt service, burden of debt per province.

*Includes revenue of the extraordinary property taxes of Holland.

Sources: Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 156. 'De Democraten', 40 (9-2-1797).

NA Collection 051 Goldberg, 2.21.006.51, *Rapport der commissie tot het onderzoek naar den staat der financiën, van Holland* (The Hague 1797).

To research the benefits of amalgamation, a parliamentary commission was created, presided by Van de Kastele. We can say that this commission was biased, as Holland and Unitarians were overrepresented and proponents of amalgamation outnumbered opponents five to two. On 9 January 1797 the commission presented its report to the Assembly. Not surprisingly, the commission favoured amalgamation of all provincial debts. Perhaps convinced by the report the Assembly voted on 20 January 60 to 45 in favour of amalgamation. Of the 60 proponents 49 came from the Holland-Zeeland-Utrecht coalition, in addition a few Unitarians from the land provinces voted yes.⁸⁷ This was a major success for the Unitarian group. Hence, all provincial bonds were to be converted into new

⁸⁶ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 159-60.

⁸⁷ *Dagverhaal der Handelingen van de Nationaale Vergadering, representerende het Volk van Nederland*, Volume IV (The Hague 1797) 580. H.T. Colenbrander, *De Bataafsche republiek* (Amsterdam 1908). Pfeil, 'Tot redding van het vaderland', 172-76. For reasons unknown, Fritschy dates the vote on 14 May. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 126.

national bonds with the same sum, interest rate, method of payment, and same period of repayment. Fritschy argues that this greatly aided Holland, in particular the security-holding class, and disproportionately hit Friesland, especially because taxation was not yet nationalized.⁸⁸

Alexander Hamilton also succeeded in pushing through an amalgamation of debt. The Thirteen Colonies saw their debts merged into one Federal debt. Hamilton's difficulty was not that one former colony had more debt than the other colonies, his problem primarily lay in the duality of the debt owners: one part was owned by war veterans and individuals that owned promissory notes, issued before or during the revolution and which had plummeted in price. Another part of the debt was owned by merchants, affluent citizens, and the few existing banking-houses in urban New York. In Hamilton's amalgamation these two parts were merged into one debt, as he saw it as his duty to treat everyone equally. Speculators who had bought the promissory notes from impoverished veterans at a low price saw their notes converted into reliable bonds and made considerable profit. His critics argued that Hamilton had favoured avaricious speculators instead of the nation's patriots and veterans. He flipped the argument around and said that the veterans had shown little faith in America's future and had gotten money when they wanted it, whereas the investors had taken a risk.⁸⁹ We can conclude that for the sake of national creditworthiness, investors were rewarded in both nations and people without securities would pay for it through taxation.

It was widely expected in the Batavian Republic that national taxes would inevitably follow the amalgamation. To pay the interest of national bonds according to each province's fiscal strength, national taxes would be needed. Because the provinces were unequal in size, both population and wealth, new departments were to be drawn of equal size and strength. The amalgamation hastened this discussion too. All political debates about nationalization of a federal aspect were tied to each other. We should see all discussions in late 1796 and early 1797 as sideshows of the main discussion: the new constitution. The parliamentary minutes show lengthy debates on this matter. A successful introduction of national debt and taxation would automatically move the projected constitution closer in the direction of the Unitarians.⁹⁰ Therefore, the Federalists were against centralization efforts of the Unitarian factions as one reform would lead to another. Parliament moved very slowly forward these years because of the factional differences. The Unitarians wanted a centralized republic and far-ranging reforms. All provinces and their interests and traditions had to be replaced by a strong national state structure. The Federalists wanted to retain provincial autonomy and local corporatism. A third group in the Assembly, the Moderates (*Moderaten*), wanted to reform the state and strengthen the central government, but above all they desired to keep the peace, trying to strike

⁸⁸ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 126.

⁸⁹ Chernow, *Alexander Hamilton*, 296-300.

⁹⁰ See discussions in the Assembly in May 1797, *Dagverhaal der Handelingen van de Nationaale Vergadering, representerende het Volk van Nederland*, Volume V (The Hague 1797).

bargains with others. The leaders of the Moderate faction were the most prominent voices in the first years of the Batavian Republic. Still according to the traditions of a corporative state, the Batavians and the Moderates in particular tried to solve negotiations with compromises and seeking a consensus.⁹¹ The discussion on the constitution was lengthy because of this. After almost one year, a drafted constitution was presented that reflected the spirit of compromise and retained most of the federal framework. It was nicknamed ‘the thick book’ as it had 918 articles.⁹² On 1 Augustus 1797 it was put to a vote in a referendum. Most people disliked the woolly and incoherent constitution. Moreover, for Unitarians it was too conservative, for Orangists and Federalists it was already too reformist. The draft was rejected in a plebiscite by 80 per cent of the people. A political deadlock now appeared between the different factions that was not solved in the remainder of 1797.⁹³

Stalled financial reforms

Of the four goals the Batavians had in 1795 the attempt to thwart stockjobbers was a clear failure. The previous sections show that the financial sector in fact increased because the Batavians had to improvise to solve the liquidity crisis and the French indemnity. As Goldberg discovered, the vices of the previous regime were also not that severe. The Batavians realized that their situation was not much different than that of the *stadtholder's* last years, with the same problems and the same limitations. The dependency on the money market, the hostility of provinces to national taxes, and very crucially, the lack of peace remained. From this position, the Batavians, with Gogel in front, tried to achieve their remaining goals: to reduce public expenditure, to equalize the fiscal burden, and to reduce public debt. But these three goals proved to be more difficult than imagined, because assumptions were false or unrealistic and because implementing reforms met a lot of resistance from the provincial and local elites.⁹⁴

Reducing public expenditure was expected to be easy, as the old United Provinces were assumed to be prodigal. Cutting expenses on the *stadtholder* William V yielded not much because his expenses had not been as lavish as, say, Louis XVI's extravagant court, and the Regents were not as corrupt as was imagined. The administration costs of the decentralized and provincial government of the United Provinces had not been costly and inefficient but actually quite cheap. In fact, when the Batavians created a centralized nation-state they built a larger bureaucracy that cost more than the decentralized government of the old days. It also proved to be counterproductive to overhaul the

⁹¹ M. Prak and J.L. Van Zanden, *Nederland en het poldermodel: sociaal-economische geschiedenis van Nederland, 1000-2000* (Amsterdam 2013) 167-82.

⁹² *Het Ontwerp van Constitutie van 1797*, L. De Gou (ed.), Bd. I-III (The Hague 1983-1985).

⁹³ J.J.B. Kuipers, *Vrijheid gelijkheid broederschap: de Nederlanden in de Franse tijd* (Zutphen 2013) 28-32. W. Fritschy, and J. Toebe (red.), *Ontstaan van het moderne Nederland: staats- en natievorming tussen 1780 en 1830* (Nijmegen 1996) 76-81.

⁹⁴ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 185-88, 229-231.

budget in other terrains: Fritschy shows that with the new payments on social welfare and education, the expenses were actually higher than before 1795.⁹⁵ Reducing the military expenses also did not go as planned because the army and the navy were badly needed both for the European war and the defense of the colonies. Again, peace would have been extremely useful. All three projected national budgets, see chapter three, underestimated the expenses of defense. The introduction of conscription and civil militias was also not as cheap and cost-cutting as imagined, as the Patriotic militias were not good enough to replace the professional army. And then there were unforeseen costs such as the payments to the French, both the indemnity of 100 million guilders, as well as the annual costs of providing for 25,000 French troops, roughly twelve million per year. Arguably, the reduction of public expenditure was a failure because of expectations that proved to be wrong and too optimistic and new issues that required money. We should also keep in mind that the largest burden was the interest paid on the national debt. The Dutch used some 46 per cent of their budget in 1790 for paying interest and around 1800 even 49 per cent. Refusal to pay the interest would bring investors in difficulties.⁹⁶ The French did not have such scruples, they annulled the royal debt and cancelled two-thirds of their public debt in 1797. Such an action was not an option in the Netherlands. Even the radical politicians did not dare to mimic the French on this matter. Unilaterally altering the interest rates would be harmful for the nation's supply of credit. The money market had to survive, and that required reliability and certainty, one of the goals of Adam Smith. Instead of defaulting, the Unitarians, including Gogel and Van de Kastele, hoped to rearrange the debt with a national amalgam.⁹⁷ Secondly, the French did not want the prosperous Dutch to flee. This would mean that the French could no longer tap on their wealth. In fact, in 1795 a small exodus of bankers had already fled the country, usually to London. A Briton reported that the French invasion caused 'large quantities of [Dutch] gold and money to pour in our nation.' And French secret agents reported: 'the movement of a large number of wagons carrying money [to London]'.⁹⁸ The exodus is poorly documented, say De Vries and Van der Woude.⁹⁹ The total number of emigrants was presumably small though, and mostly concerned a few Orangists, such as banker Henry Hope, while most of the financiers were pro-Batavian.

The fiscal burden was thought to be uneven and unfair for the lower classes. In the United Provinces, each province had decided its own taxes. This was also seen as unfair and Unitarians wanted unitary taxes. Taxes were tied to interests and privileges, so to overhaul the taxation system

⁹⁵ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 90-99.

⁹⁶ Ibidem 78, 90-99.

⁹⁷ Boels, *Overheidsfinanciën tijdens de Republiek en het Koninkrijk, 1600-1850*, 167-69.

⁹⁸ Crouzet, "Aspects financiers de la relation Franco-Batave" in: Jourdan & Leerssen, *Remous révolutionnaires: République batave, armée française* (Amsterdam 1996) 51. "A fait que de grandes quantités d'or et d'argent ont afflué dans notre pays". "Le mouvement d'un grand nombre de charrettes transportant de l'argent".

⁹⁹ De Vries & Van der Woude, *The first modern economy*, 156, 685-687.

of the provinces force had to be used. When the resistance of the provinces was finally beaten, see later in this thesis, the results were disappointing: It turned out that the rich did pay their share in the old system, which is why Adam Smith had praised the taxation system of Holland. Unitarians such as Gogel thought that high excises in Holland burdened the poor, so the government should use property and real estate as a means of taxation. But this was not fair as the rural Eastern landowners were now burdened more than the Western urban merchants and the security-holding class. Fritschy also argues that stockbrokers were not taxed more than under the old regime. The taxation on interests, securities, and stocks even became lower than before 1795. Fritschy thinks that because of the high public debt, the provinces had already tried to create the best and most efficient taxation back in the days of the United Provinces. We can also add that it was very hard to implement new taxation, as vested interests prevented the overhaul of the system. When Gogel proposed a new taxation system it was only implemented in 1806.¹⁰⁰

Because state expenditure did not decline but in fact rose, and improving taxation was a laborious process, the public debt was not reduced. The failure to balance the budget led to chronic annual deficits. Short term solutions, such as new interest-bearing paper money, only increased the burden. During the Batavian and French period the Dutch national debt skyrocketed to above one billion in 1810.¹⁰¹ What did succeed was the nationalization of provincial debt. A bureau of conversion would be created in 1799 that started to converse all old debts into new national debt and another bureau was created one in 1800 to convert the many *recepissen*. It. This was a good thing, Fritschy argues, as the people in all provinces now shared the same weight.¹⁰² A Unitarian ally of Gogel headed the bureau of conversion, who was also the father-in-law of his secretary. Here we see Gogel's extensive network that he met through his Patriotic activities and clubs at work.

Conclusion

Gogel and Goldberg had, just like their fellow Batavians, certain assumptions about the previous regime and the Dutch economy in general. During their work as financial experts, and later as ministers, they quickly realized that the corruption and mismanagement of the previous regime had been overestimated by the Batavians, and the chronic problems of the state had been underestimated. Apart from constraints and competing interests, practical problems proved to be just as problematic. The Dutch came under their yoke of the French with their indemnity and their feared *assignats*. At the same time two old and formerly reliable institutions, the Wisselbank and the VOC, collapsed and burdened the state with more debt and left her without a trusted central bank.

¹⁰⁰ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 119-153.

¹⁰¹ Van Leeuwen-Canneman. *Een vriendschap in het teken van 's lands financiën*, XXIII.

¹⁰² Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 125-27.

The Batavians quickly had to improvise to deal with the reality, before they could even start implementing their ideals on the nation and the economy.

When these initial problems were largely dealt with, the competent ministers Gogel and Goldberg could start reforming the nation from 1798 onwards. They could either try to repair the old financial system or try to create a new one. Memorandums like the blueprint show that they had a good understanding of what was needed to improve the nation. The memorandum of Goldberg proposed an ambitious partial financial revolution. It is likely that this would have been beneficial for the republic, but the implementation would take time. However, the margins for reform were limited, both because of constraints and because of wrong assumptions. The most important chronic hindrance was the continuation of war. The French revolutionary and later Napoleonic Wars (1792-1815) ruined the Dutch state and severely limited options to improve the Dutch budget. Without the condition of peace, something Hamilton did have, every minister found himself in almost the same position as the *stadtholder* and his last State Pensionary, Van der Spiegel (1787-95). The second problem was that some reforms were simply not as great or realistic as they were imagined. A third limitation was that resistance against change was harder than anticipated. Vested interests that had existed in the previous regime were not easily shifted aside. The final constraint was that the Dutch survival was tied to the money market. The restoration of the creditworthiness of the state remained therefore of paramount importance for Gogel and Goldberg. It is telling to even the radical Unitarians did not opt to use the French way of dealing with debts: (a partial) default.

The result of all this was that Gogel created short-term solutions to keep the nation afloat, for instance issuing a forced loan, while trying to implement a fairer taxation system in the long run. To deal with his budget deficit he called for extraordinary measures, but again he found constraints on his way, which led to a tug-of-war between Gogel and his opponents. This time Gogel not only found obstinate provinces and demanding French on its way, but also a lumbering and stubborn parliament. The next chapter will fully focus on this laborious process.

Chapter 2: Extraordinary measures in 1798-99

The coup of the radicals

The deadlock between the political factions was not solved in 1797. Neither the Federalists nor the Unitarians were willing to grant concessions to the other faction and the Moderates no longer had the power or the leaders to broker a compromise between the factions.¹⁰³ A group of radical Unitarians starting plotting a coup, which was executed on 22 January 1798. For a long time this coup has been portrayed by Dutch historians as a plan of the French, for instance by Geyl and by Colenbrander.¹⁰⁴ Research into the French sources however, has shown that it was slightly more complicated. The radical faction in the Netherlands made their own plans and secretly wrote a new constitution. The French on the other hand, who had gotten impatient after the failed referendum, were heavily involved in the coup: French plenipotentiaries amended the proposed constitution and French forces helped execute it. After approval from the French, the radicals seized control of The Hague.¹⁰⁵ Their leaders were Pieter Vreede, a cloth merchant and Wybo Fijne, a journalist. All deputies had to swear an oath against federalism. Thirty-three Deputies refused to swear or refused to cooperate, including most Federalists and some Moderates. They were imprisoned on an estate in the countryside. Goldberg stayed out of this movement, as he had endorsed the constitution of 1797 and was consequently disliked by the radicals. Gogel disapproved their methods, but hoped that Unitarians could finally rule and reform the country, so he joined them when he was asked to become minister of finance. The new Unitarian constitution, with a far-ranging centralization and a unitary state structure, was pushed through in another referendum. The Executive ordered that the voting registers with lists of eligible people were purged so that Federalists and Orangists were barred from voting. With a purged electorate, the constitution was accepted in April by 93 per cent of the people. This constitution of 1798 prescribed a unitary financial policy and a radical rupture with the federal republic. To pay for its obligations the constitution allowed the government to use extraordinary means.¹⁰⁶

¹⁰³ Kuipers, *Vrijheid gelijkheid broederschap*, 31-36. Kuipers puts emphasis on the authority of the Moderate leader Pieter Paulus. As the first chairman, Paulus had kept the peace in the crucial first term of the National Assembly. He was one of the most respected Patriots. His unexpected death in the same month the Assembly first met was a great loss for his faction and the whole nation. It is not unthinkable that if more authoritative leaders of the Moderate faction had lived to lead the Assembly and to strike a conciliatory tone between the warring factions, the Assembly might have escaped a coup. The Moderates embodied the spirit of compromise.

¹⁰⁴ P. Geyl, 'De Bataafse Revolutie' in P. Geyl, *Verzamelde opstellen II* (Utrecht 1978). Colenbrander, *De Bataafsche republiek*.

¹⁰⁵ A. Jourdan, 'Le rôle des agents français dans la constitution batave de 1798', *Annales historiques de la Révolution française*, 351, 2008, 99-119.

¹⁰⁶ J.I., Israel, *The Dutch Republic: its rise, greatness, and fall, 1477-1806* (Oxford 1995) 1115-22. L. de Gou, *De Staatsregeling van 1798 - Bronnen voor de totstandkoming*, Bd. I-II, (The Hague 1988-90) Bd. II, 456.

After the coup in January six months of 'Batavian terror' followed in which Moderates and Federalist Regents in local councils were removed. This period comes closest to the radical phase of Terror that the French Revolution saw. The radical Unitarians were inspired by the effectiveness of the use of force in France. However, unlike the French Terror, the purges of the 'Batavian terror' were still without much bloodshed, as was the entire Batavian Revolution. That does not mean there was no violence: in several provinces and Friesland in particular an iconoclastic wave of radical fury scourged the land, smashing churches and noble's graves. Those purged by the regime were part of the 'Stadtholder government, the aristocracy, Federalists, as well as useless and unworthy officials'.¹⁰⁷ The new political system mirrored Directory France (1795-99): five Directors shared the Executive branch, assisted by seven (later eight) ministers, which were called Agents in the Netherlands. It is important to stress that the constitution made Agents subservient to the five Directors. Agents therefore resemble a secretary-general or a top official of a ministerial department more than a minister nowadays.¹⁰⁸ The constitution also made the legislative branch powerful enough to check the executive. The five Directors, including Vreede and Fijnje and three other radical Unitarians, pushed through reforms with great speed, that is to say, on paper. Guilds were disbanded, provinces were replaced by departments, which were pure administrative units in a centralized nation-state, and apart from classical political rights all people now were now constitutionally entitled to healthcare, social care, and education. For the first time in history the Netherlands were ruled by one parliament and without provincial and local counterweights. It should be noted however, that complicated reforms such as reorganizing the state required a lot of time because the two century-old traditions of strong local particularism and provincial autonomy were not taken away easily. Especially the Eastern provinces would not simply yield their provincial autonomy as they feared it would make Holland too powerful. The Directors aggravated this by underestimating resistance to reform and not laying out coherent plans to counter it.

The question we should ask is whether the coup was necessary to implement the necessary reforms that were needed to restore the state's creditworthiness. Although the amalgamation had been accepted in early 1797 it was very hard to reach compromises between the warring factions. Three years after the revolution had begun there was still no constitution. Without a strong Moderate faction that could bridge the two opposing camps, the stalemate remained. An important difference with Hamilton's America was the lack of authoritative figures. In America the power and prestige of president George Washington was undisputed, and the other Founding Fathers, Jefferson, Adams, Hamilton, Madison were just as influential. Compromises could be made in backroom politics, as Hamilton and Jefferson, the leaders of the Federalists and Republicans respectively, often

¹⁰⁷ Fritschy and Toebe (red.), *Ontstaan van het moderne Nederland*, 141-42.

¹⁰⁸ *Ibidem* 142-45.

met in Washington's chambers.¹⁰⁹ Secondly, although America did have the same provincialism, it did not yet have factions or parties in the first years. The two-party system was only created in the late 1790s as result of Hamilton's financial reforms. The democratic Assembly in the Batavian Republic was arguably too democratic, it developed factions early on, it was without true leadership, and it was hardly an improvement of the institutional competence of the United Provinces, as provincial and local interests still loomed large. We can therefore argue that the deadlock and institutional deficiency could only be solved by force, something the Dutch copied from the French.

The fall of the Radical regime

Gogel, a staunch Unitarian, hoped that the moment the nation could be transformed into a centralized democratic republic had finally arrived. He also hoped to restore the nation's creditworthiness and that in his new function he could actively contribute to that goal. Gogel soon grew disappointed by the conduct of the radical regime while the creditworthiness continued to fall. He, Goldberg, and a few others had the ability to judge what was necessary to save the nation's finances, but as it turned out, they were not pulling the strings, which greatly frustrated them.¹¹⁰

The radical regime soon managed to alienate its followers, its Agents, most of the Assembly, and even Paris. The regime had itself to blame for this. Firstly, in another attempt to follow the model of the French Directory, the regime attempted to perpetuate itself. Instead of holding new elections after the constitution had been written, it declared itself *the* National Assembly and cancelled upcoming elections. Secondly, the regime increased censorship by curtailing the press and suppressing the Ground Councils and Patriotic societies. This was unconstitutional and caused a public outcry. By prohibiting local democracy, the foundation of the revolution, the regime shot itself in its foot. Thirdly, the seven Agents were disgruntled because they did not receive clear instructions of the Directors. Instead of outlining a coherent policy to improve the nation the Directors had a negligent attitude in directing the nation. Agent Gogel was especially distressed as he was responsible for the precarious financial situation, but did not have the power or the instructions to deal with it. Fourthly, and perhaps most importantly, the French were dissatisfied with the lack of progress as well.¹¹¹

It is remarkable that even though the institutional capability had been improved and the state could seemingly push through every reform the radicals wanted, progress stalled. This was primarily caused by the lack of action by the radical leaders. They promised a lot of radical change, but the actual implementation was stalled. For instance, nothing had been done to replace the old provinces by departments that would become purely administrative units. In terms of public finance,

¹⁰⁹ Chernow, *Alexander Hamilton*, 326-330.

¹¹⁰ Vles, *Alexander Gogel (1765-1821)*, 81-91.

¹¹¹ Fritschy and Toebe (red.), *Ontstaan van het moderne Nederland*, 138-145.

the newly adopted constitution of 1798 proposed a significant financial overhaul where taxes and debts were to be managed nationally, and a common treasury and budget was to be created. The old system of provincial quotes was abandoned for a unitary fiscal state. To the dismay of the new Agent of Finance, Gogel, the creditworthiness of the state continued to fall as the price of bonds of Holland and the Generality reached the lowest point since the start of the revolution. Despite his eagerness to improve this, he could do very little, as his formal instruction had not yet been written. This was supposed to contain his formal task and duty while delineating his responsibilities and power. What the radical regime did do was to scare off creditors. Firstly, it purged city councils and the civil service of people that were not radical Unitarians. Gogel feared that replacing competent people with 'incompetent fortune hunters' and 'rabid anarchists' would poison the economic climate in Amsterdam, with disastrous results for the granting of credit.¹¹² Secondly, the radicals proposed on 31 March to let the rich pay for the deficit.¹¹³ This surely would have eliminated the possibility to borrow money from the capital market. The government also considered appropriating property of emigrated merchants. On 11 April the Directors recalled the first proposal, but in May they again considered forfeiting property of emigrants. Gogel looked upon this with sorrow. He lamented to the French ambassador, C-F. Delacroix, that these actions will result in:

The fall of the miserable remains of the national credit; the loss of trade already ruined, the fall of the entire confidence in [Dutch] securities abroad; the extinction of enthusiasm and the republican spirit, the emigration and the impossibility of finding financial resources in the purses of citizens, whose heart detests the government who needs it.¹¹⁴

The French abhorred this idea because they hoped to use the Batavian Republic as a cash cow, so a capital flight was not desired. Indeed, it still owed them money, the next instalment of the indemnity was to be paid. The French had decided that something had to be done, although they remained unsure and divided about what to do.¹¹⁵ Foreign minister C.M. Talleyrand ambiguously wrote to general B.C. Joubert, general of the French forces in the Batavian Republic: 'The fate of Holland is in your hands'.¹¹⁶ This can be interpreted as a call for action or a vague statement that Paris was undecided and Joubert himself should judge what to do. What is certain is that a recent

¹¹² Pfeil, *'Tot redding van het vaderland'*. 196-200.

¹¹³ Jourdan, 'Le rôle des agents français dans la constitution batave de 1798', 99-119. The decree of 30-31 March 1798 has not been mentioned by other historians, she says. "Que je sache, aucun historien n'a noté ce décret et l'effet désastreux qu'il a eu auprès des « hommes de bien », seuls aptes à financer l'indépendance batave."

¹¹⁴ Undated letter from Gogel to Delacroix, quoted in Jourdan. "La chute du triste reste du crédit national; la perte du commerce déjà trop ruiné ; celle de toute confiance pour les lettres de change chez l'étranger; l'extinction de l'enthousiasme et de l'esprit républicain, l'émigration et l'impossibilité de trouver des ressources financières dans les bourses des citoyens, dont le cœur déteste le gouvernement qui en a besoin."

¹¹⁵ *Gedenkstukken der Algemene Geschiedenis van Nederland van 1795 tot 1840*, Book II, LXXXI.

¹¹⁶ Quoted in: Jourdan, 'Le rôle des agents français dans la constitution batave de 1798'. AE, 599. Talleyrand in a letter to Joubert (23 prairial an VI/11 June 1798): "Le sort de la Hollande est entre vos mains."

reactionary coup in France in May, which had led to the removal of Jacobins in the assembly, only amplified the willingness of Paris to stand up against radicals. Joubert contacted dissatisfied ministers Gogel and Spoor, or possibly the other way around, and together they planned a new coup.

Gogel tries to take the reins of government

On 12 June the Dutch ministers and the French military staged a coup and arrested the radical Directors and some of their accomplices. The coup cannot be called contra-revolutionary or reactionary, as it was not executed by conservative or Federalist members, but fervent Unitarians such as Gogel, Goldberg, S.I. Wiselius and J. Blauw, and some Moderates such as Schimmelpenninck who had lost their right to vote because they were not radical enough. Gogel, as one of the instigators, temporarily assumed the office of Director besides the post of minister. The Agents temporarily assumed the position of both Director and Agent alike, while preparing for the new elections, that were held on 30 July 1798. Both the Federalists that refused to swear the oath as well as the radical Unitarians were barred from voting. The 94 new deputies formed the Representative Body, which consisted of a First Chamber (64 deputies) with the job of writing bills, and a Second Chamber (30 deputies) that had to amend the proposals of the First Chamber.¹¹⁷ The bicameral system copied the French legislative of a Lower House (*Conseil des Cinq-Cents*) and a supervising Senate (*Conseil des Anciens*).¹¹⁸ Gogel now had to take the reins. The radicals' only fiscal action had been to ask the provinces to make their overdue payments of last years.¹¹⁹

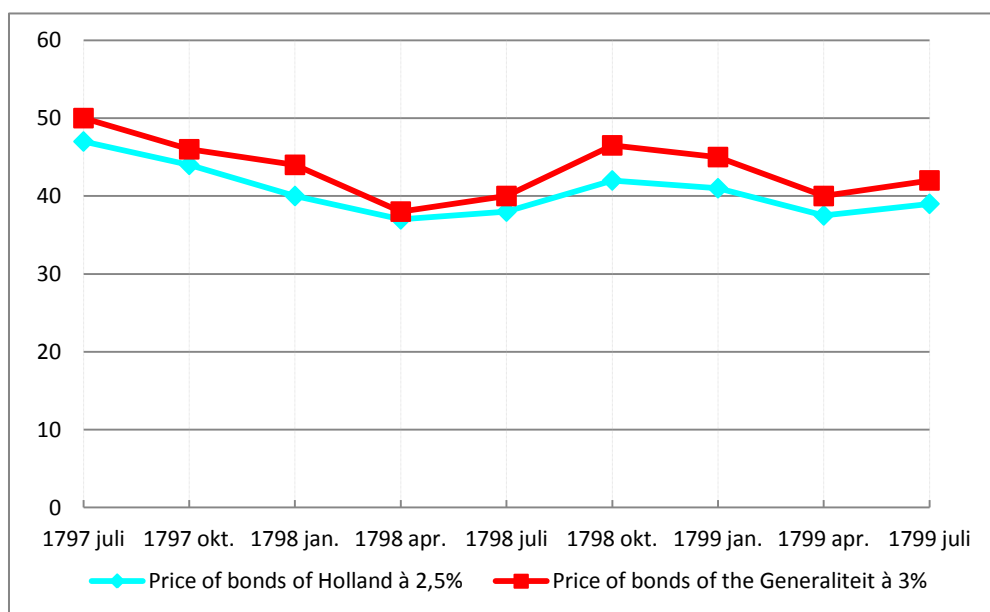


Figure 3: The prize of bonds of Holland and the Generality.
Source: Pfeil, 550-551 'Prijscourant der Effecten'.

¹¹⁷ Fritschy and Toebe (red.), *Ontstaan van het moderne Nederland*, 43-46, 59-62.

¹¹⁸ Kuipers, *Vrijheid gelijkheid broederschap*, 70-90.

¹¹⁹ Pfeil, *Tot redding van het vaderland*, 209-210.

The fiscal unification of the state had not yet started nor was the budget deficit resolved. This was an increasingly urgent issue: The first six months of 1798 had passed, and creditworthiness, which had fallen since last summer, had only slipped further, see figure 3 above. Investors now demanded a yield of about seven per cent on bonds. Gogel quickly started contemplating a new taxation system and a national budget for next year.

Apart from Gogel, a few deputies from both chambers with financial expertise wrote a national budget, J.H. Appellius wrote one, and so did J. Siccama and J. Van Rees. Appellius was a rising star and financial expert of the Moderate faction and would later repeatedly cross swords with Gogel. It is telling that all three budgets vastly underestimated the total expenditure, see table 2. Expected expenditure went from 42.6 million (Appellius), 44.4 million (Siccama & Van Rees) to 47 million guilders (Gogel), but it actually reached on average 56 million guilders from 1799 to 1801, which does not even include extraordinary expenses. Both administration costs, military expenses, and debt service were more expensive than projected. Extraordinary expenses would almost double the military expenditure, which again stresses that peace was the best remedy. If we combine the best predications on the payment of interests and the military the plans come quite close. All authors made the mistake to expect that austerity would trim down the deficit and reduce expenditure. As noted in chapter one, this proved to be harder than expected.¹²⁰ We can argue that Gogel was the best man in charge of the four available experts as he came closest to the real expenditure.

| | Siccama & Van Rees | Gogel | Appellius | Real expenses* |
|----------------------|--------------------|-------|-----------|----------------|
| Administration costs | 2.7 | 2.5 | 3.5 | 4 |
| Debt service | 21.9 | 26 | 25.9 | 27.4 |
| Military expenditure | 17 | 14 | 10 | 17.6 |
| Colonies | 1 | - | - | 2.4 |
| Water management | 1.1 | 2 | 1.2 | 2.4 |
| Others | 0.7 | 2.5 | 2 | 2.5 |
| Total | 44.4 | 47 | 42.6 | ≈56 |

Table 2: A comparison of three proposed national budgets in million guilders. *Expenses are an average of 1799-1801. Source: Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 91, table 3.4.

In the meantime, Gogel proposed extraordinary levies to obtain the much desired revenue as his treasury was almost empty. He was supported by the Unitarian Constitution of 1798 which foresaw the use of levies on income and forced loans for extraordinary needs. Article 209 from the Constitution reads:

¹²⁰ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 90-92, 148.

If the circumstances of the Republic require any extraordinary expenses, the Representative Body will find those, preferably, as much as possible, from a extraordinary levy, and that as a free gift [don gratuit], by way of Assessment of the relative earnings and expenses of all the residents of the Batavian Republic. Then, when [the Representative Body] judges to have to search for cash, by way of a voluntary Negotiation [loan], then set the period of repayment as short as possible, and [order] a proper proportionalized tax, sufficient to get the necessary funds, to pay the annual installments as interest.¹²¹

The only problem for Gogel was that the Constitution did not give the minister the power to decree extraordinary measures, but the Representatives. That did not keep Gogel from sounding the alarm to the Executive Directory about his empty treasury. Without a formal budget, he estimated the budget deficit between June 1798 to May 1799 to be around 36 million guilders.

Gogel knew that this was a chronic problem, as the ongoing war demanded only more money. When later in 1798 Gogel created his first national budget, see figure 5 on the next page, he came to the conclusion that expenses were projected to double all revenue. For the next years, The Dutch government had roughly enough revenue for either the debt service, or its military expenses, but not for both, see figure 4 below.¹²²

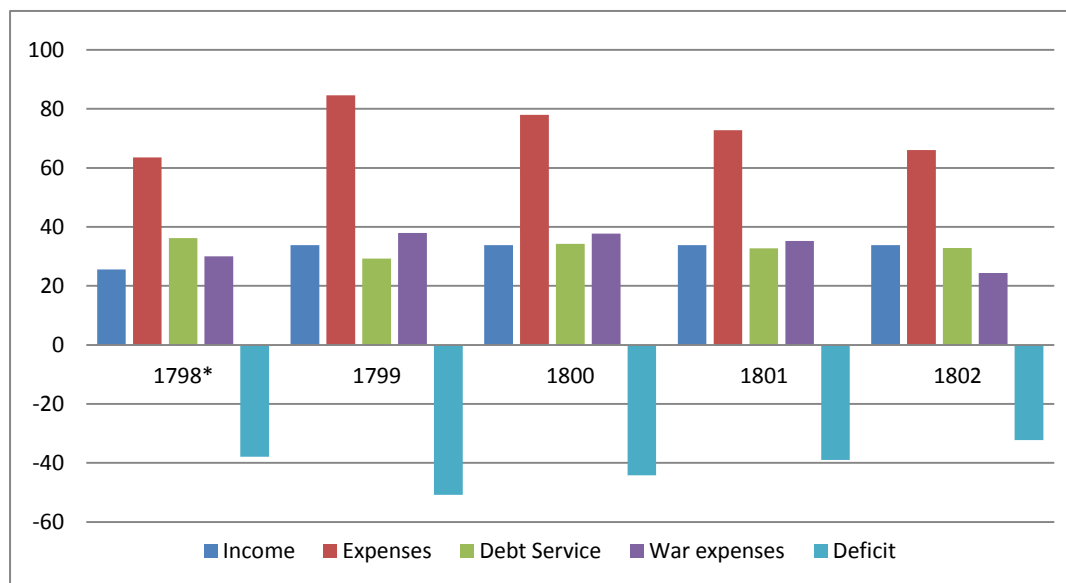


Figure 4: The Dutch annual budgets. Expenses are split in debt service and warfare.

*=In 1798 there was not yet a real national budget so these figures are estimated.

Source: Pfeil, *Tot redding van het vaderland*, 209, 554.

¹²¹ *Staatsregeling van 1798*, artikel 209: "Indien de omstandigheden der Republiek enige buitengewone uitgaven noodzakelijk maken, vind het Vertegenwoordigend Lichaam die, bij voorkeur, zo veel mogelijk, uit ene buitengewone heffing, en wel als don gratuit, bij wijze van Quotisatie over de relatieve inkomsten en verteringen van alle de Ingezetenen der Bataafsche Republiek. Dan, wanneer Hetzelve oordeelt, te moeten overgaan tot het zoeken van Penningen, bij wijze van vrijwillige Negotiatie, bepaalt het den kortst mogelijke termijn van aflossing, en ene behoorlijke geëvenredigde belasting, voldoende tot het bekomen der nodige fondsen, zo tot betaling der jaarlijkse aflossingen, als interesten."

¹²² Fritschy, *De patriotten en de financiën van de Bataafsche Republiek*, 86-90. Pfeil, *Tot redding van het vaderland*, table 1 pg. 209.

So what could Gogel do? He could raise taxes, but the tax burden was already the highest in Europe, Gogel could only try to distribute the burden as fairly as possible. He therefore worked on a fairer tax system, but that would require a majority in parliament. Or he could cut expenses, but this was perhaps even harder, as most of the expenses could not be cut. Most of the expenditure went to warfare and debt service. As long as France and Great-Britain were at war, expenses dedicated to warfare could not be reduced, because the French demanded it and Dutch had to defend themselves against France's enemies. The Treaty of The Hague (1795) obliged the Dutch to pay for 25,000 French troops, to have 40,000 men in arms and to have 40 warships available. The enemies of France did not give the Dutch a moment pause as the British attacked Dutch ships and conquered their colonies. In 1799 an Anglo-Russian Expeditionary Force even landed on Dutch shores. Reducing the debt service was also hard, although not impossible. A unilateral haircut of interest rates would devastate financiers and severely damage the government credit, something Gogel was exactly trying to restore. The best he could do was to borrow at a low interest rate and pay off older debts. This was done at the money market, with an official Bureau of Conversion, and in secret with a small fund that Goldberg used to perform covert financial transactions.¹²³ Although helpful, it could only reduce the debt service a bit every year. Smaller expenditures such as healthcare, social care, pensions, militia took only a small fraction of the budget.¹²⁴ Therefore, in the long run Gogel could best hope for peace and to get his taxations system through parliament. For the medium term he could try to lower the debt service by smart -and sometimes shady- transactions, as well as austerity where possible. For now, he needed cash and the only option left seems to have been extraordinary levies.

Gogel knew that a previous forced loan of 5 December 1797 had yielded almost eight million guilders, by levying eight per cent on incomes with three per cent interest. Eight million was only a fifth of what was needed this year, so Gogel knew he needed to raise the rates. After giving extra warnings about the precarious financial situation, he proposed a progressive income tax with a minimum of 100 guilders for unmarried people, and 150 guilders for married couples. The lower incomes would pay three to six per cent, while those earning more than 600 guilders would pay 25 or 30 per cent. A capable and universally respected man for his financial expertise, Gogel expected to strike a deal with parliament soon. He would soon learn however, that decision-making was very laborious in the Batavian Republic, even during such a crisis.¹²⁵

¹²³ Goldberg would buy securities with high interest from individuals and converse them in the Bureau of Conversion in new national bonds with a lower interest rate. They were then sold on the market.

¹²⁴ Pfeil, *'Tot redding van het vaderland'*, 210-11.

¹²⁵ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 87-88, 209-211.

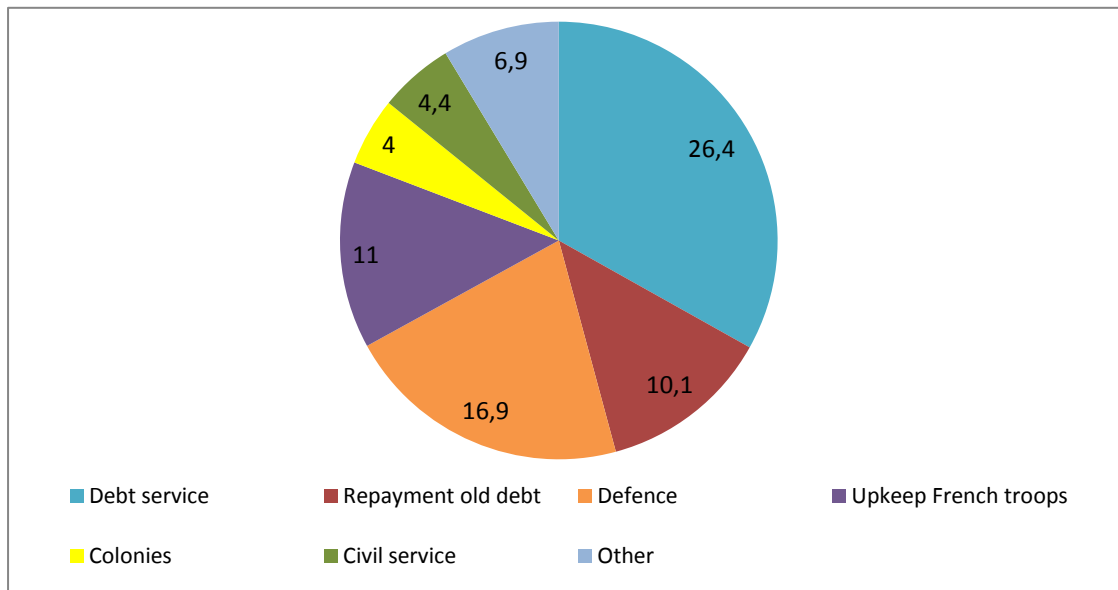


Figure 5: The first national Dutch budget, estimated for 1799.

The figure excludes the extra 11 million of war expenses that were needed halfway through 1799 because the Dutch Republic was invaded. The repayment of old debt includes past military expenses, and liquidated debts of the East India Company. Other expenses include: pensions, civil militia, water management, healthcare, poor relief, religion, education, and stimulation of industry.

Source: Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 86-88.

A soft approach in hard times

The Assembly was caught by surprise by Gogel's harsh proposal, and realised the need for action. The measure itself however, was rejected by a clear majority in early August because it hit the poor too hard. The minimum of 100 guilders was too low (300 was an average annual income for a low-skilled worker), and the difference between those earning 300 guilders and those earning ten times as much was too small.¹²⁶ The Assembly told the Executive to find a 'less-oppressive measure'.¹²⁷ Gogel angrily told the Chamber the treasury was almost empty, so he made the Chamber accept a loan of 250.000 guilders with national domain as collateral to solve the financial needs for the next weeks.

Gogel then proposed another provisional measure. An advance levy that could be used in the upcoming larger levy. The Chamber suggested to Gogel to issue a voluntary loan of three million guilders against five per cent interest, but he had abandoned the idea of voluntary loans, just like Goldberg had abandoned the idea before. They thought that people would not sign for voluntary loans in these troubled times, and it would be better to enforce extraordinary loans and levies using Article 209 of the constitution. Gogel also thought that five per cent interest was also too generous, as it would increase the debt service with an additional 150,000 guilders. Fritschy states that others also recommended him to seek a voluntary loan, pointing out that prime minister Pitt in England had

¹²⁶ Pfeil, 'Tot redding van het vaderland', 212. W. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 169.

¹²⁷ Debate on 24 Augustus 1798. *Dagverhaal der Handelingen van het Vertegenwoordigend Lichaam des Bataafschen Volks*. Part II (Den Haag 1798) 308-309.

successfully raised eighteen million pound with a voluntary loan in just one day. But it seems that Gogel, backed by Article 209 of the Constitution, insisted on using extraordinary taxes from the citizens, if needed without interest.¹²⁸ It is also imaginable that he thought that the British financial situation in 1797 had been less perilous than the Dutch in 1798. A compromise was reached between Gogel and the Chamber on a forced advance levy of five per cent of all incomes above 600 guilders, but its receipts would be part of the larger expected forced measures. The measure only generated three million guilders, and this money was already spent in early November.¹²⁹ This proves that Gogel was right to reject the proposed loan of just three million guilders. Besides, this money was paid on advance, so it did nothing to solve the problem in the long run. Gogel again demanded that the representatives considered larger forced loans, including those without interest. To enforce his arguments he shrewdly offered his resignation to the Directors in case the deputies remained obstinate.¹³⁰

A third option?

Apart from forced measures and voluntary loans, a third option may have been possible: a lottery loan. Remarkably enough, this has not been mentioned in the literature. This was attractive for investors because the price of a lottery ticket was always the minimum return value. Although the money could not be used for other purposes with interest, you would always get it back. For the government, this might have been a useful option as well, because usually two-fifth of the lot had to be paid in cash and three-fifth in various securities and paper notes. This would create two advantages: Firstly, the government badly needed cash, and 40 per cent of the total money paid for the lots would be paid in cash. Secondly, as noted above, one of Gogel's ways to lower the debt service was by converting old bonds and securities with a higher interest rate into new paper notes. If the lottery issued paper notes with a low interest rate, and people would pay 60 per cent of the price of their lot in expensive old paper money, it could save the government a lot of money.

A plan was formed by Van de Kastelee, the man behind the amalgamation, who was one of the seven members of the financial committee of the First Chamber, whose chairman was A.J. Verbeek. Goldberg, at that moment without public office, was asked for advice by Van de Kastelee. Goldberg in his turn asked the opinion of Saportas, a Jewish broker of Portuguese origins in Amsterdam, who was an expert in financial matters in Amsterdam.

¹²⁸ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 178, footnote 93 on pg.281.

¹²⁹ Debate on 21 September 1798. *Dagverhaal der Handelingen van het Vertegenwoordigend Lichaam des Bataafschen Volks*. Part II (Den Haag 1798).

¹³⁰ Pfeil, *'Tot redding van het vaderland'*, 214.

Hereby I sent you back the twofold plan of a Lottery that I received from U & J [unknown authors]: and in addition the comments of one of the most able brokers [Saportas], which U will find, in substance, to come down to the point of voluntary negotiations, [which I] have said in the present moment. (...) We conferred the plan with one of the most able and honest brokers in Amsterdam, J. Saportas.¹³¹

Several proposals of lottery loans are mentioned, ranging from eight to 80 million, but on average 40 million. The number 40 makes sense, as this comes close to the deficit. During earlier attempts of a National Lottery, such as at the end of the Spanish War of Succession, roughly 30 million had been raised in this way.¹³² One of Saportas' proposals goes as follows:

| Number of Lots: | At the price of: | Total: |
|-----------------|------------------|----------------------|
| 1 | f. 1,000,000 | f. 1,000,000 |
| 1 | 500,000 | 500,000 |
| 4 | 100,000 | 400,000 |
| 6 | 50,000 | 300,000 |
| 8 | 20,000 | 160,000 |
| 10 | 10,000 | 100,000 |
| 20 | 5,000 | 100,000 |
| 50 | 2,000 | 100,000 |
| 100 | 1,000 | 100,000 |
| 800 | 800 | 640,000 |
| 1,200 | 600 | 720,000 |
| 77,800 | 500 | 38,900,000 |
| Total: 80,000 | | Total: f. 43,020,000 |

In this example there is 2.75 per cent chance that the holder of the lot wins more than the deposit. A lot cost 500 guilders. With 80,000 lots the revenue would be 40 million guilders. Particularly useful in the plan was the sentence 'to all these deposits should be given National Obligations, with two and a half per cent interest.'¹³³ If we imagine that all the 24 million in paper notes would consist of old Batavian *Rescripties* (with four per cent interest), which would cost the treasury 960,000 guilders in interest every year, would be converted into national bonds of two and a half per cent, which would cost 600,000 guilders every year. That would save the government 360,000 guilders. Goldberg was even more optimistic and expected that conversions would save the government one million guilders of interest, which would decrease the total debt service by about three per cent. A voluntary lottery

¹³¹ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Goldberg to Van de Kastelee, on 14 Sept. 1798. "Plan eener Loterij door P.L. v.d. Kastelee geform. waarover onder de hand is geconfereerd met drs. J. Saportas." Original: "Hiernevens [Hierbij ingesloten] terug het tweeledig plan van Loterij van U&J [?] ontvangen: benevens [samen met] de aanmerkingen van één onzer Kundigsten makelaars [Saportas], welke u zal bevinden, in substantie, uit te komen op het geen ik van het doen ener vrijwillige negociatie, in het tegenwoordig ogenblik gezegd hebben. (...) Om over hetzelfde [plan] confereren met een der kundigsten en eerlijksten makelaars aan de beurs v. Amsterdam – daarover getroffen men J. Saportas."

¹³² J.Th. Smidt and R.M. Sprenger (red.), *Van tresorier tot thesaurier-generaal: zes eeuwen financieel beleid in handen van een hoge Nederlandse ambtsdrager* (Hilversum 1996) 106-7.

¹³³ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Goldberg to Van de Kastelee, on 14 Sept. 1798. "Alle deze premies te geven Nationale Schuldbrieven, rentende 2½ Pct."

loan would have been easier to attract investors than a forced loan. However, the plan was never realized, it is not stated why. Pfeil does not mention this plan, perhaps because it was never adopted, just like the proposed plan in spring that angered the moneyed-men was not mentioned by authors other than Jourdan. One reason is that Gogel and other Batavians found lotteries morally reprehensible. Lotteries were an improper instrument for a true patriot as one could win more than another citizen with a lottery ticket of the same price.¹³⁴ A more complicated reason is that the plan never survived the extensive deliberations in parliament. Both Chambers were very divided on financial measures which also happened with Gogel's proposals.

Gogel under fire

The First and Second Chamber had their own commissions and often came to very different conclusions. Disagreement between the Executive and Legislative was already bad enough, but there was animosity between the two Chambers as well. While Gogel had wanted to discuss extraordinary means, the two Chambers could not even agree on the exact instructions for the Agents. Until that was settled, Gogel had no clear demarcations of his responsibilities or his powers. Goldberg confirmed to Gogel that this job description was very important, and again express his hope that the function would be a powerful bastion of Unitarianism, a bulwark against provincial and personal interests.¹³⁵ The commission of the First Chamber, under E.A. Daendels could agree on this, but the Second Chamber was very starkly divided between Federalists and fiercely democratic Unitarians. Although those factions had problems working together, they were equally fearful of a too powerful executive ministry. The commission in the Second Chamber was led by J.A. Ondorp, who was a stubborn Unitarian democrat. He saw the Agents as nothing more than a public servant, constitutionally subservient to the Directors and the assembly. Previously, Ondorp had also led the objection to the advance levy on 600 guilders and above.¹³⁶

For most of September and October, the two Chambers did not discuss the proposals of Gogel, but his function and position, as well as that of the other ministers. Goldberg tried to intervene by intriguing and mobilizing friends in the Chambers, such as Van de Kastele and Verbeek. They were Unitarians and financial experts so they would surely agree to vote for a strong minister and a flexible interpretation of the Constitution. Gogel himself was already at loggerheads with some parliamentarians at this point by interfering in the decision-making process. Gogel felt this was necessary because he had the most important duty of all, the responsibility of guarding the nation's

¹³⁴ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 186. See also: I.J.A. Gogel, *n betrekkelijk den staat van 's Rijks geldmiddelen in den jare 1820* (Amsterdam 1844) 96-97.

¹³⁵ Pfeil, *'Tot redding van het vaderland'*, 237-39.

¹³⁶ Debate on 21 September 1798. *Dagverhaal der Handelingen van het Vertegenwoordigend Lichaam des Bataafschen Volks*. Part II (Den Haag 1798).

finances, but he overstepped his authority by acting as an 'intermediary figure' between the executive and legislative powers. Daendels and the commission of the First Chamber were willing to give him that central role, the Second Chamber not in the slightest. Gogel's personality, he was noteworthy stubborn, combined with his way of using data to prove that he was right also agonized deputies. In reports to the Chamber, Gogel usually sketched the situation in plain terms and then drew his conclusion, leaving little room for the Chamber. Gogel and Goldberg were financial experts, and were confident that they knew what was best for the nation's finances. However, as is repeatedly shown, the Chamber did not simply rubberstamp their proposals, as that would be unworthy of a powerful monitoring chamber, as written in the constitution. Gogel's behaviour seemed to prevent the parliamentarians to act as the constitution prescribed them to be.¹³⁷ In the end, it would last until 17 May 1799, roughly fourteen months after taking office, for Gogel to receive his formal instructions. Even then, Ondorp's and his critical commission still stubbornly rejected it, but Daendels had mustered enough support with the remaining members of the Second Chamber to accept the instructions.¹³⁸

The fact that this issue in the middle of a war and a financial crisis caused deliberations of almost an entire year shows the Chamber's pettiness and the slow decision-making process that frustrated Gogel and Goldberg, something authors have sometimes overlooked. We might call this institutional deficiency, although this is a different situation than in 1795. It would be better to call it constitutional deficiency or even a constitutional paradox, as the constitution of 1798 prescribed on the one hand a Unitarian centralization and large overhaul of the state, yet it gave the executive that was supposed to implement those changes little actual power.

The substantial measures of 1798

In November the parliamentary debates finally focusing on levies without interest. Gogel now had his budget ready and repeated that the treasury was empty at the present time while the deficit for next year would account for 60 million guilders. This amount was much higher than 1798 because of unpaid accounts of 1798 (21.9 million guilders). Gogel proposed a dual income levy without interest (*don gratuit*) where those earning between 300 and 600 guilders had to pay five per cent and those earning more than 600 guilders ten per cent. The higher minimum seems to be a concession to the deputies and shows that Gogel had learnt how to deal with parliament. Second, he proposed a forced loan on property of five per cent against three per cent interest, which would be redeemed in 31 years. Another income levy would pay for the interest, which would have to yield one and a half million. Gogel estimated that the income levy would yield ten million guilders, and the forced loan

¹³⁷ Vles, *Alexander Gogel (1765-1821)*, 103.

¹³⁸ Pfeil, *'Tot redding van het vaderland'*, 239-44.

about 50 million guilders. The goal was clearly no longer 38 or 40 million guilders, but because of the deputies' procrastination Gogel had to aim much higher this time. Gogel was worried about the creditworthiness of the Dutch government. The government should not be seen as defaulter who could not get its payments done. The fact that more than one-third of the expected deficit of 1799 consisted of overdue accounts of the year before, demonstrates Gogel was right to demand urgent action.¹³⁹

The view of Goldberg at this point was close to that of Gogel, although with some small nuances. The chairman of the financial committee of the First Chamber, A.J. Verbeek, had asked Goldberg for his advice. Verbeek told him that the Chamber favoured a forced loan on property of three per cent with two and a half per cent interest, and a forced income tax of twenty per cent. Together these would yield 56 million guilders. In contrast to Gogel, the Chamber wanted 'self-taxation' and not an assessment of the government beforehand. Verbeek thought the government did not have the means to assess a man's wealth properly and there was no enthusiasm in the Chamber to allow the government to do so.

That for the needs of this year and the next shall be raised 56 million - 3% on property and 20% on income. (...) That the 20 million of the income tax shall be a free gift - but for the other 36 million shall be given paper notes with 2,5% interest. That these 36 million shall be redeemed in 20 years, the interests and the money for the repayment shall be raised by levies on income. That the levy on income shall be done by self-assessment.¹⁴⁰

Goldberg on the other hand, wanted an income tax for 38 years of two per cent and a proportional tax on property of five percent, with two and a half per cent interest. The difference between their visions on the forced loan is large. Goldberg is much closer to Gogel on this matter, although they differ considerably on the income tax rates. Goldberg was seen as a proponent of the Amsterdam financial elite¹⁴¹, which is probably why he favours to tax those with much property instead of those that earned much through investment, which was against the Chamber's wishes. Verbeek himself represented the city of Dordrecht, so he was no representative of the land provinces either. Of the other six deputies in the committee of finance of the First Chamber, only E.L. van Middelstum and L. Kniphorst represented Eastern districts (Groningen and Meppel respectively). One ranged from Zeeland, the other three were all from Holland, although no-one represented Amsterdam in the committee. Arguably, the commission was biased in favour of the coastal provinces. Just like Van de

¹³⁹ Pfeil, *'Tot redding van het vaderland'*, 215.

¹⁴⁰ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Verbeek to Goldberg, on 5 Nov. 1798.

"Dat voor de behoefte van dit en het volgende jaar zal geheven worden 56 miljoenen – 3 per cent op de bezittingen en 20 op de inkomsten. (...) Dat de 20 miljoenen van de inkomsten zal zijn een don gratuit – doch dat voor de overige 36 mill. Zal worden gegeven renten gevend papier van 2,5%. Dat deze 36 mill. Zal worden afgelost in 20 jaren, zullen de renten en het geld voor de aflossing geheven worden van de inkomsten. Dat de heffing op de inkomsten zal geschieden bij quotisatie door de ingezetenen zelfstandig te doen [zelftaxatie]."

¹⁴¹ Pfeil, *'Tot redding van het vaderland'*, 207.

Kastele's commission on the amalgamation the position of Holland was dominant in the commission. This would obviously result in an advice to spare the security-holding class of Holland, but this does not mean that the rest of the First Chamber would agree on this, or the Second Chamber.

It was the self-taxation that proved to be a problematic issue during the deliberations of November. Verbeek wondered how people would honestly pay their share: 'but now is the question, what kind of means are there to make sure that everyone pays his share?'¹⁴² The deputies favoured self-assessment. Goldberg however, favoured assigning of quotas by the government for income taxes, but adamantly opposed this measure for levies on property. There was no instrument available to assess one's property 'without a violation of civil liberties and without endangering the credit of citizens busy with trade'. He thought the government should make an estimation of people's income by listing their rent, number of servants, number of horses not used for work, and the surplus of a company. A self-assessment of income would not be reliable, as without information people would lie about their income and the taxes will be 'insufficient and disproportionate'. Goldberg also very explicitly stated that the people had the right to appeal (*doleances*) to the government's assessment. The commission of finance opted to use 'Military Execution', but this was strongly rejected by the deputies as something that should not occur in a 'free Republic'.¹⁴³ Gogel agreed with Goldberg, also because he argued that an assessment beforehand was five times cheaper than examinations by commissions afterwards. As Gogel was still short on money, this mattered to him.

The second aspect which Goldberg was adamant about was the creation of a National Bank that would replace the Beleenbank, see his blueprint in chapter one. This was a 'conditio sine qua non' for the heavy levies. Verbeek wrote to him that most of the deputies opposed his idea. Pfeil states that deputies Appelius and Daendels vehemently opposed it, which is true, but he omits to mention that S. van Hoogstraten, after long deliberations and in consultation with Van de Kastele agreed. 'He [Van Hoogstraten] wrote me [Verbeek] yesterday [that] the more I consider our Financial difficulties, the more I come to accept the basis of Goldberg ([the plan] recently communicated to me by you). This is important because Van Hoogstraten, just like Appelius, was a member of the financial committee and shows Goldberg had some support there. Secondly, Van Hoogstraten was a Moderate, like Appelius, not a Unitarian like most friends of Goldberg in the Assembly.

¹⁴² NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Verbeek to Goldberg, on 5 Nov. 1798.

"Maar nu is de vraag, wat zijn er voor middelen voor handen om te maken dat ieder van zijne bezittingen een eerlijke opbrengst doet".

¹⁴³ *Dagverhaal der Handelingen van het Vertegenwoordigend Lichaam des Bataafschen Volks*. Part II (Den Haag 1798) 421. "Het is de commissie voorgekomen dat de Militaire Executie te prefereren was, maar de commissie zal zich er niet tegen verzetten als de Vergadering een Ingijzeling beter oordeelt."

The ministers had lobbied the best they could, and had done what the constitution allowed them to do, perhaps even more than that, as they were formally subordinate to the legislative and should not interfere in the decision-making. Now the two Chambers had to reach a compromise. By the end of November a deal had been made: an income tax of five and ten per cent (which Gogel had proposed), a forced loan of four per cent on property with an interest rate of three and a half per cent (which the deputies had wanted), and another income tax of three per cent, lasting 25 years, to pay for the interest on the forced loan. To save the poorer classes an income-tax threshold was set on 300 guilders and for the property loan the threshold was set on 500 guilders. The Assembly had ignored the minister's complaints and chose self-taxation and reassessment afterwards by local commissions.¹⁴⁴ Especially the Second Chamber had thwarted the minister's proposals. In the Second Chamber Federalists and Unitarians were evenly matched, compared to the relatively Unitarian First Chamber, and although the coastal provinces outnumbered the land provinces, some deputies from Holland and all deputies from Friesland were Federalist. The Second Chamber therefore protected the interests of the landowners, lowering the levy on property and raising the interest rate. Goldberg was very displeased, also because the deputies had not mentioned his proposed national bank. Gogel wrote to him that the land provinces had caused the concessions because they threatened to push through a rule that would publish all tax returns with names on it.

The 3,5% [interest] had to be acceded to the landed provinces, and it had taken a lot of effort to prevent the publication of all payments. The Second Chamber sought to achieve that all bills got the names of their owners. - I know this because people have urged to print all payments. It saddens me to see all this folly.¹⁴⁵

Pfeil states that this was something the coastal provinces, that represented the interests of merchants, investors, and businessmen, opposed.¹⁴⁶ Another possible reason was that receipts with names on it were more difficult to transfer, something the merchants in the coastal provinces would have preferred. The land provinces, which accounted for roughly half of the Assembly, had bargained a better deal by making threats. Gogel was disheartened, but was no stranger to making threats to strike a better deal as he had threatened to resign in September. It is also logical that the land provinces would be obstinate, as they had had relatively low taxes and few debts before 1795, but the amalgamation had burdened them with the debt of the coastal provinces. The abolition of

¹⁴⁴ Pfeil, *'Tot redding van het vaderland'*, 216-17. The commissions were chosen by the people themselves.

¹⁴⁵ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Gogel to Goldberg, on 27 Nov. 1798.

"... schrijft mij dat de 3,5% [rente] van de lande prov. hebben moeten toegegeven minder, en dat het moeite gekost heeft voor te komen dat er geen gehele publiekmaking van alle fournissementen plaats gehad heeft. En er nog bij de 2^{de} keer [kamer?] gezocht is om alle biljetten op naam te doen stellen. – Dit weet ik dat er aangedrongen is, om alle fournissementen door den druk publiek te maken. Al deze dwaasheid te moeten zien is zeer verdrietig."

¹⁴⁶ Pfeil, *'Tot redding van het vaderland'*, 216-17.

provinces had also affirmed the dominance of the coastal provinces. A vote per head would have assured a coastal province victory, unless some deputies, for instance those of Friesland, voted with the land provinces. Gogel's idea of a five per cent rate on property with only two and a half per cent interest, and an income tax of just two per cent would disproportionately burden the landowners and gentry. This hit the Eastern provinces in particular, as wealth here was usually put into land, not into securities, whereas Holland's financial elite and especially Amsterdam's well-to-do invested its money in bonds and shares. We should keep in mind that there were still a lot of landlords or property-owners in the assembly, and not just in the East. They were already incensed because extraordinary levies on their wealth were largely used for the debt service, thus their wealth ended in the pockets of the security-holding class. As the Frisian patrician C.L. Van Beyma lamented:

The owner of national bonds is reassured that he will keep his income and his rights are carefully preserved. The proprietor of real estate however, [receives] neither the former nor the latter.¹⁴⁷

Van Beyma was not the only one that was disappointed. Goldberg was even more upset: 'It is in my view a 'monster', much more than a financial plan', he lamented to Gogel.¹⁴⁸ Pfeil states that Goldberg disliked the plan for four reasons: First of all, the income tax was progressive and much higher (five and ten per cent) than his own proposed two per cent. Goldberg wrote that this was contrary to the principles [of equality]. Secondly, the idea of self-taxation. It was 'insufficient' compared to the assessment of the government beforehand and susceptible to fraud. Thirdly, the reassessment of the local commissions afterwards. It was an 'unequal and unlawful measure' and only 'utterly despotic' governments would do this.

The opening of bills, to verify the faithful tax declaration on property, [is] an attack against civil liberty, and a death blow to the commercial credit; and this is a maneuver where, of the consequences, only the utterly despotic government would be capable to check everything.¹⁴⁹

And finally, he denounced the omission in the plan of a national bank, a plan he and Gogel had worked on since the beginning of the year. The First Chamber created a commission for it, but this commission never published a report nor did the Assembly ask for it. This was a personal blow as he

¹⁴⁷ Quoted in Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 160. "De bezitter van Nationaale Schuldbrieven wordt bij zijn regt heiliglijk bewaard en gerustgesteld, dat hij zijne inkomsten zal behouden. De bezitter van onroerend goed daarentegen [krijgt] nog het een nog het ander."

¹⁴⁸ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Goldberg to Gogel, on 25 Nov. 1798. "Het welke naar mijn inzien is een monster [sic] veel een [meer] dan een plan van finantien."

¹⁴⁹ Ibidem. "Is het openen den biljetten, om te verifiëren den getrouwen opbrengst van de bezittingen, een attentaat [aanslag] tegen de burgerlijke vrijheid, en een doodsteek voor het commercieel krediet; En dit is een manoeuvre waar, van de gevolgen, zelf onder het aller Despotiefst [van een despoot] gouvernement, in staat zouden zijn, alles ten onderste lasten te keren."

had sought to ensure the creation of the bank. For him the national bank was a crucial aspect of the restoration of Dutch creditworthiness and credit flows. He lamented: ‘The levy on property, [is] without the bank a ruining and utterly oppressive means, both for the national creditworthiness as well as for its well-to-do citizens.’¹⁵⁰ The Chamber did declare the Beleenbank of Holland a national Beleenbank and prolonged its expiring term, but the function of a Beleenbank was nowhere near the proposed function of the national bank in the style of England, as Goldberg had proposed in his blueprint. The Bank of England managed public debt, issued credit, and stimulated the securities market, whereas the Beleenbank was a scarcely used deposit and pawn bank.¹⁵¹ Goldberg thought that a national bank would reinvigorate credit flows, end hoarding, stimulate trade, and restore confidence. Precisely as Hamilton had envisioned his national bank. Goldberg bitterly wrote that financial matters were not left to experts, but to the will of the deputies.

I see more and more that the financial matters, especially if it comes to a combined plan to provide for money, are nothing more than the competencies of a large Assembly and people will after a long struggle, come to the legislation to qualify the Executive Directory (...) as decreed in the Constitution.¹⁵²

In this letter he laments the fact that the Executive was made subordinate to the Legislative Body in the constitution of 1798. In both Chambers a large collection of politicians with various backgrounds and interests had to decide over financial measures. Although Gogel, Goldberg, and only a few others had the financial expertise to judge what was necessary to save the nation from default and restore credit flows, they did not have the final say about the decisions. Gogel and Goldberg had hoped to see Gogel in a more powerful role of minister where he would invent brilliant plans and intermediate between the legislative and executive branch. This complaint tells us a lot about the feelings of competent administrators and experts that were hindered in their reforms by the deputies.

Small improvements made

Gogel’s extraordinary levies did meet the expectations, as the forced loan yielded more than 50 million guilders and the income tax 7,2 million guilders. It temporarily solved the deficit of 1799, including the overdue accounts of 1798. The next years would see a smaller deficit, see figure 4 earlier this chapter. But when the English and the Russians launched an invasion of the Netherlands

¹⁵⁰ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Goldberg to Gogel, on 25 Nov. 1798. “De heffing op de bezittingen, [is] zonder de bank een ruïnerend en allerdrukkendst middel, zo voor ’s Lands krediet alsook voor de gezoede Ingezetenen.”

¹⁵¹ P. Dehing, *Geld in Amsterdam, Wisselbank and Wisselkoersen 1650-1725* (Hilversum 2012) 287, 312.

¹⁵² NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Goldberg to Gogel, on 25 Nov. 1798. “Ik zie hoe langer hoe meer dat de financiële zaken, vooral als ’t aankomt op gecombineerde plan om geld te schaffen [beschikbaar maken], niets zijn dan de competenties ener grote Vergadering en men eindelijk na veel worstelen, bij de wetgeving zal moeten komen tot het qualificeeren van t’ Uitvoerend Bewind (...) bij de Constitutie vastgesteld.”

in August 1799, Gogel again needed money. The extraordinary war expenses to fight the Anglo-Russian forces cost the treasury another eleven million guilders. To cope with the emergency, the Assembly changed the terms of the forced loan on property of 1798. Originally, the loan was split in four instalments, but now the Assembly proclaimed that the fourth instalment was expedited and another instalment of one per cent was added. One extra per cent was expected to raise an additional eleven million guilders. Pfeil however, states that only the first instalments yielded eleven million, the last about eight million guilders.¹⁵³ So in the end, the forced loan of 1798 came close to Gogel's initial plan of five per cent against three per cent interest. It just took an intensified war and an even more precarious situation for the Assembly to acquiesce in the demands of the minister. The continuing war was a disaster for the deficit, but the good news was that Gogel could use the war to his advantage. When faced with pressure from outside the Assembly finally gave in, so institutional incapability could be solved when under large pressure.¹⁵⁴

At the end of 1799 new financial difficulties appeared on the horizon. Gogel estimated another huge deficit for 1800, about 50 million guilders, and just like one year before he had trouble to pay the bills in the last months of the year. The suppliers for the army needed money and refused to let the government buy on tick again. Gogel therefore proposed a levy on property of four per cent without interest. He also thought of a levy on income of ten per cent, again without interest. On the one hand the Assembly shared his concerns but on the other hand they made some small nuances. First of all, the deputies did not think that the deficit would be that large. Secondly, the income tax should become progressive, ranging from two, to four, to seven per cent. Thirdly, they raised the twenty-five-year long income levy of 1798 from three to four per cent. Finally, they lowered Gogel's proposed levy on property from four to three per cent, gave it an interest rate of three per cent, and let it precede by a voluntary interest-free advance. Again the Assembly saved property owners by softening Gogel's proposed levy on property. The voluntary advance was widely used by citizens because the conditions were very favourable. The citizens knew that the levy was coming, but they could hand in older securities with four or five per cent interest that had a low price at that moment but which would count for its nominal value in the advance. This was eagerly accepted by people, in particular by citizens of Holland (80 per cent of the total number of subscriptions), which confirms that most of the security-holding class lived in Holland. The measure gave Gogel 9.2 million guilders in advance of which 8 million guilders in cash. In the short run Gogel now had a considerable sum of cash to pay for pressing matters. The total sum of the three per cent loan on property would be 32.6 million guilders. In the long run however, the measure did not aid the treasury as much as Gogel had hoped because the forced loan had three per cent interest, which

¹⁵³ Pfeil, *'Tot redding van het vaderland'*, 547.

¹⁵⁴ *Ibidem* 218-219. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 179.

cost him about one million guilders of additional debt service a year.¹⁵⁵ A small plus was that 1.2 million guilders of the advance was paid with older securities with four or five per cent interest, which were now discounted into the total sum carrying three per cent interest, which saved the treasury between 12,000 and 24,000 guilders of interest. Still, if the chamber had not added the interest rate, Gogel's debt service would have decreased, not increased. As part of the negotiations the Assembly formally asked Gogel to propose a plan for a new National Bank, something which Goldberg had already suggested two years ago. In addition, the nation's domains were to be sold, a man's income was to be included in the levy on property, and the Assembly wanted to get rid of self-taxation after all, but did not reach a consensus on any other form of assessment.¹⁵⁶

Although the Assembly had again rejected part of Gogel's proposals, the measures were sufficient for now, the deficit was temporarily solved and the price of Dutch bonds would soon stabilize around 40 per cent, see figure 6 on the next page. We could argue that due to Gogel's efforts in 1798 and 1799 and his relentless pressure for action, the deficit was solved (for the time being) and the creditworthiness of the state had been restored. However, the end of the failed Anglo-Russian invasion and the European war that was coming to an end were presumably more important factors for the confidence that creditors had in early 1800.

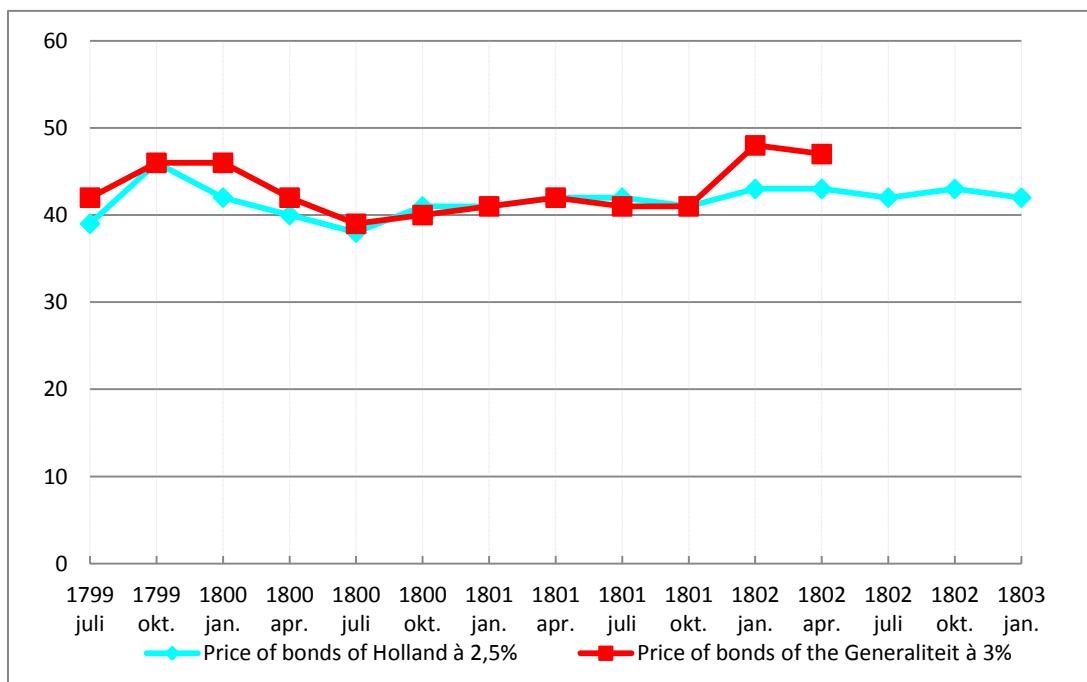


Figure 6: The prize of bonds of Holland and the Generality.
Source: Pfeil, 550-551 'Prijscourant der Effecten'.

¹⁵⁵ Pfeil, 'Tot redding van het vaderland', 548. Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 180.

¹⁵⁶ Pfeil, 'Tot redding van het vaderland', 220-221.

Conclusion

After the coup of January the government at first no longer suffered from institutional incapacity or factional bickering. The constitution of 1798 outlined vast unitary reforms that would reform the federal state into a centralized state. However, the radical Directors proved to be inefficient rulers so they were ousted in a second coup. From that point onwards, the Batavian Republic no longer lacked a clear direction, nor was there a lack of leadership: In terms of public finance a consensus of moderate Unitarians that favored fiscal centralization had arisen and several leaders stood up, Gogel as minister, deputies such as Ondorp, Van de Kastele, and Verbeek in the Assembly. Given the fact that these two years were dominated by radical Unitarians and after that a consensus of (moderate) Unitarians, the results are somewhat disappointing, especially compared with the great speed and success of Hamilton. The main results were the creation of a national budget and the fact that through extraordinary levies the deficit was temporarily solved. Moreover, on paper the federal republic had been redesigned into a unitary state, but whether this had really taken root is another matter.

The reason for this is that this period saw two new problems emerge, both stipulated in the same unitary constitution that had promised so many changes. Firstly, all ministers (Agents) had a subordinate role that meant they had to obey the five Directors and the 94 deputies divided in two Chambers. For the minister of finance Gogel this was exceptionally difficult as he was a financial expert that had to restore confidence in the state but had very little power to do so, and his stubborn and condescending character also did not help much. Frustratingly, Gogel was often right about financial matters and estimations while the Chamber underestimated the deficit. The more Gogel and Goldberg tried to steer the Chamber into their direction, the more irritation they caused among deputies who argued that the constitution did not allow them to do so. The deputies were more busy with petty details than fiscal unification. The plans for a national bank were ignored, Gogel's levies were softened in both years, and estimations of Gogel that were based on facts were simply discarded. The Chamber was more occupied with Gogel's formal instructions and his limitations of power than his responsibility to restore the nation's creditworthiness.

Secondly, the constitution, which mimicked the French, deliberately made the executive power weak to prevent a reign of terror. This meant that even if the five Directors agreed with him, a competent minister such as Gogel could not get his plans through parliament without consent of the two Chambers. Just as in the period before 1798 the deputies were very divided among factions and provinces, despite the nation's unification. The constitution made Gogel responsible for financial matters, but not empowered to act or even to bring discussions to the floor of parliament. Goldberg had the comfortable position of standing on the sidelines until May 1799, but to his dismay this also meant that his well-intended advices were ignored for most of the time. Soon he would know too

what the position of a minister meant to the Assembly. He and Gogel had a rude awakening when they saw their dream of a strong minister that would restore the nation's creditworthiness and economy shattered into pieces by a legislature stubbornly refused to listen to them and still represented provincial and vested interests. The land provinces objected to the dominance of Holland and did not want levies on property to pay for the interests of Holland's security-holding class.

Under these circumstances it is clear that Gogel could not get everything done he had hoped for. Instead of the institutional incapacity of the preceding years, the unitary state could push through extraordinary reforms which were sanctioned by the constitution. At the same time the new constitutional deficiency meant that the executive was still weak and divided. Gogel did manage to accept some extraordinary measures, which were for sufficient for the moment, but he only managed to do so by mobilizing all his strength, by sounding the alarm on the treasury on numerous occasions, and by repeatedly interfering in parliamentary matters. Even then, the Assembly amended the interest rate so that next year Gogel would need even more money for the debt service. The procrastination and stubbornness of Parliament, especially that of the divided Second Chamber, frustrated Gogel, and in the meantime he increasingly alienated a number of deputies who thought he had overstepped his authority. The co-operation did not bode well for the future, as relations were soured from the very beginning, and soon the First Chamber would get its own version of the obstinate deputy Ondorp. In the third chapter we will see how Gogel dealt with the increasingly stubborn Chambers and what kind of regime was necessary to implement the stalled reforms that Gogel thought were needed to restore the state's creditworthiness.

Chapter 3: Reversal and coercion, 1800-1810

Growing tensions

A rift gradually occurred between the Assembly and the Executive of Gogel and Goldberg, who had been a minister of Economy since May 1799. Gogel was very angry because the deputies had rejected his claim of a impending deficit of 50 million guilders and had lowered it to 40 million. As a result of their optimistic estimation they could adjust Gogel's proposed measures. He felt the deputies undermined his authority and played with fire as the creditworthiness was still fragile. Even though Gogel had been right before, the Chamber saw the extraordinary measures as harsh measures that should be avoided when possible. The proposed plan for a national bank, which the Chamber had requested of Gogel, was not accepted, much to Goldberg's dismay.¹⁵⁷ It was hardly discussed in the Assembly, and the deliberations only led to the declared nationalization of the expiring Beleenbank. Pfeil suggests this had to do with the dominant position of Amsterdam and the resistance of deputies from outside Amsterdam to that dominance.¹⁵⁸

Goldberg also grew disappointed in his role as new Minister of National Economy. This ministry was not as powerful as the ministry of finance, but he had hoped to use the function to improve trade, which he deemed the most important facet of the Dutch economy, and to stimulate the nation's ailing industry. One way of promoting both of these was to create closer trading ties with France. This would increase trade and stimulate the export-driven industry as the potential market increased tenfold. Goldberg rightly suspected that French dominance on the continent would create one large European continental market. If the Dutch could tap on that, it might replace their ruined trade which remained crippled as long as the war with Britain continued. Goldberg once again had a keen eye for economic affairs, as this is exactly what happened in France under the Directory and under Napoleon: The Atlantic mercantile towns such as Bordeaux and Nantes were ruined, but industrial towns in the East, such as Metz, Strasbourg, and Lyons saw huge growth because of the increased continental trade.¹⁵⁹ In addition, Goldberg wanted to set up special commissions for agriculture, trade, and industry in every town of relevant size. Most of his plans however, were never materialized. As expected, trade diminished because the British ruled the seas and took over Dutch colonies, but the high tariffs by the French were kept in place and a free-trade treaty was rejected just like in 1795. The industry declined even further and the cash-strapped government gave Goldberg no funds to stimulate it. The local commissions were never created, but his idea of holding statistical surveys on a local level and to use those for decision-making were an inspiration to later ministers.¹⁶⁰

¹⁵⁷ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223C, 'Stukken relatief de aanstelling van eene Algemene Beleen, Discompto, en Depositobank 1796-1814'.

¹⁵⁸ Pfeil, 'Tot redding van het vaderland', 222-24.

¹⁵⁹ M. Lyons, *France under the Directory* (Cambridge 1975) 185-86.

¹⁶⁰ Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg*, 30-48.

Several other plans which Goldberg had recommended in his blueprint or that Gogel had wanted to implement were also turned down or postponed by the Assembly. A plan for central coinage was rejected by parliament and after that it was no longer discussed.¹⁶¹ The creation of an amortization fund, which would have helped the elimination of the national debt, did not occur. Moreover, the centralization of all provincial treasuries did not happen, which meant that Gogel's national budget was still a combination of provincial treasuries with their own receipts and expenditure. This would not increase efficiency or transparency. The national auditor's office was created, but later than expected. Finally, the conversion of the national debt proceeded slower than anticipated, the two bureaus of conversion were created only two and three years after the amalgamation had been accepted and worked slowly because of the multitude of bonds, *recepissen* and other paper notes. This meant that not one of the planned reforms had happened within the period of time the constitution had prescribed.¹⁶² The revolution in the Netherlands arguably moved at a slow pace and foreign commentators even noted around 1800 that very little had changed and the Netherlands were an example of good order.¹⁶³

If we compare the pace of reform with that of Hamilton, he arguably had more success in his term as secretary of finance (1789-95). Within two years a Mint Report of 1791 had defined the U.S. dollar and the Coinage Act of 1792 created the United States Mint.¹⁶⁴ A customs agency, a bureau of conversion to convert pre-independence bonds, and a national bank were all created in the first three years. A funded national debt was created which was paid for by a regular income of federal taxes. He simultaneously created a sinking fund that would reserve revenue to annually pay off five percent of the debt.¹⁶⁵ Hamilton moved faster because he encountered less resistance from the United States Congress, the Dutch Assembly took more time to debate matters. Secondly, Hamilton's only boss was president Washington who virtually gave him a *carte blanche*, whereas Gogel was only a subordinate Agent to five executive Directors and to both Chambers. More importantly, Hamilton invented a trick of using 'implied powers' of the American constitution. The constitution was deliberately vague on certain points and one clause gave him the power to do what was 'necessary and proper' to enact the provisions of the constitution.¹⁶⁶ Conversely, the Dutch Assembly was very strict on curtailing Gogel's already restricted power.

The return of voluntary loans?

As the year 1800 progressed Gogel discovered that he had been right about the deficit being 50 million guilders, not 40 million guilders. Instead of admitting their mistake however, the deputies

¹⁶¹ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 202.

¹⁶² Pfeil, 'Tot redding van het vaderland', 298-302, 305.

¹⁶³ Israel, *The Dutch Republic*, 1123-29.

¹⁶⁴ Sylla, 'Financial systems and economic modernization', 285.

¹⁶⁵ Chernow, *Alexander Hamilton*, 295-300, 339-350. Sylla, Wright, and Cowen, 'Alexander Hamilton', 61-68.

¹⁶⁶ *Ibidem* 353-55.

decided to dug their heels in even further. Although the forced loans and levies had been successful and had given Gogel the money he needed to bridge his deficits, the Chamber thought extraordinary levies might be no longer necessary. It grew self-confident and called at the end of 1800 for voluntary loans with lotteries. It also procrastinated on the proposed new taxation of Gogel, which again infuriated Gogel. He expected that the voluntary loans would never to yield enough money. He also needed an advance levy because last years' measures had not yielded enough revenue, as he had predicted, which meant that the treasury was again empty before the year was over. Gogel again opted extraordinary levies and forced loans as he estimated the deficit for 1801 around 36 million guilders and another 20 million guilders for overdue accounts of 1800. The executive Directory agreed with Gogel that more money was needed, but it also noticed that the rapid succession of forced measures was too pressing for the citizens.¹⁶⁷ The First Chamber however, fundamentally disagreed with Gogel's projections and his proposed measures. The Chamber hoped to raise thirty million guilders with a voluntary loan of four per cent. If it would not yield enough money, a levy on property (*don gratuit*) would be decreed with the voluntary loan becoming an advance for that. Gogel utterly rejected this, as he expected that the voluntary loan would never achieve its goal in the first place, and he also rebuffed the terms and conditions that the Chamber invented to make the voluntary loan appealing. Gogel expected that that only the well-to-do would go for the voluntary loan, who then would get a discount (with interest) in the upcoming levy without interest. Moreover, the interest of the voluntary loan would be paid by selling national domain, but Gogel thought the Chamber vastly overestimated the value of the domain.¹⁶⁸ The opposition to Gogel was led by the First Chamber's best financial expert, Appelius, a member of the financial committee. Appelius, a member of the Moderate faction, opted a more cautious and conservative policy. As we have seen with his proposed budget in chapter two, he gravely underestimated the state expenditure and thought the government had more options to cut expenses. While Gogel wanted to raise the efforts to push through extraordinary measures, Appelius even tried to reverse that course. To do so he led a commission that treated letters of citizens that had complained about the harsh measures. Instead of continuing the course of the last two years, which Gogel argued had been very successful in dealing with the deficit, Appelius wanted to review the effects of all the extraordinary measures of the last years before new ones were decreed. This appealed to the increasingly conservative First Chamber and Appelius saw his motion approved by a majority.¹⁶⁹

¹⁶⁷ NA, Collectie 04 Uitvoerend Bewind 2.01.01.04, inv. nr. 462 21 February 1801.

¹⁶⁸ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 180.

¹⁶⁹ Pfeil, *'Tot redding van het vaderland'*, 225.

Gogel's taxation plan

Another matter where Gogel and Appelius crossed swords was the new taxation plan. Gogel was tasked with writing a plan that would create universal taxation for all the provinces. The constitution of 1798 clearly stated that within two years after the constitution had been accepted the new taxation should be arranged. As noted in chapter one, taxation was expected to equalize the burden in all provinces as well as to fairly distribute the burden among the rich and poor. The constitution therefore suggested eliminating excises on basic needs. It also rejected proportional taxation on private wealth and recommended a proportional tax on real-estate and a succession tax.¹⁷⁰ Gogel submitted a plan in 1799 which was largely based on the taxation of Holland. It leaned on three different sources of income: First, a tax on real estate (based on the *verponding*). Second, a direct tax on expenses of the inhabitants of a house (*verteringen*) with rent, fireplaces, personnel and livestock as basis. Third, indirect taxes and excises but not on basic needs. Gogel estimated that the *verponding* would yield nine million guilders, the direct tax 7.1 million guilders, and the excises 13.5 million guilders. Additional revenue, about 14.5 million, would result in a total budget of 44.1 million guilders. This would almost cover for all expenses, just a few millions via levies or loans were needed. Compared to the pre-1795 situation this new taxation system leveled out the inequality between the rich and poor, as excises on basic needs decreased while the rich were taxed more, especially those with property, not those with plenty of securities.¹⁷¹ Gogel hoped for a simple but efficient taxation system that would generate enough income as well increase equality. Poll taxes and excises on oil, firewood, fish, and candles were abandoned because they were too complicated or too costly to collect.¹⁷² It is remarkable that Gogel abandoned progressive income taxes because he had previously endorsed that. Pfeil attributes this to Gogel's experience with extraordinary levies on income with different scales which had proven to be complicated and had yielded disappointing results.¹⁷³

The First Chamber, with Appelius leading its financial committee, took one year to scrutinize Gogel's plan. Although the committee agreed with Gogel on most parts, it also had several differentiations. The report, called Report Appelius, wanted to stress the consequences of taxation and aimed to save the poor and middle incomes by cutting excises on peat and bread. A major difference was that Appelius aimed to use the price of real-estate, not the rent, to assess direct taxation. It would take at least five years to create a national land register which is why Appelius did

¹⁷⁰ Pfeil, 'Tot redding van het vaderland', 229. J.Th. Smidt and R.M. Sprenger (ed.), *Van Tresorier tot Thesaurier-generaal: zes eeuwen financieel beleid in handen van een hoge Nederlandse ambtsdrager* (Hilversum 1996) 233-43.

¹⁷¹ Pfeil, 'Tot redding van het vaderland', 229-232.

¹⁷² Gogel, *Memo* n, 37-44.

¹⁷³ Pfeil, 'Tot redding van het vaderland', 231.

not want to rush.¹⁷⁴ Appelius' plan would yield 42.8 million guilders, slightly less than Gogel because of the reductions in taxes. He solved this by lowering the expected expenditure. This was an artificial trick that ignored the truth. We have seen that Appelius' earlier budget estimations were too optimistic and below the actual sum of expenditure.¹⁷⁵ The deliberations in parliament took several months after the publication of Appelius' plan because federalists and deputies from the land provinces objected to the direct taxation on real-estate. They complained that the poor were taxed too little.¹⁷⁶ Furthermore, the Second Chamber also made objections, mainly about Appelius' idea of using prices of real-estate and rejected the plan in October 1800. Appelius therefore backtracked and accepted the use of rent, but only an average of several years to deal with fluctuations, which both Chambers finally accepted in March 1801. Gogel was dissatisfied that it had taken so long to accept Appelius' plan, which did not differ much from his own plan. Worse still, the preparations to implement the plan were stalled and the plan was never executed under this regime.¹⁷⁷

Gogel and Goldberg dismissed

In terms of financial expertise Gogel and Appelius were well matched, as was their character, because Gogel and Appelius were equally stubborn. Because of the opposition to his plans Gogel started to loathe the high-handedness of the Chamber and questioned its financial expertise. The problem of Gogel was that he did not pull the strings or have the final say on matters. The Directory agreed with him but the Directors could not convince the Assembly either. The Assembly issued the voluntary loan in February 1801. This time Gogel was so furious he had trouble to hide his anger in public: he publicly repudiated the measure in a newspaper. This in turn angered Appelius and most of the Chamber because it was an act of disloyalty. Both were right at this point: a minister was formally subordinate to the Chamber and was certainly not allowed to criticize its measures or decisions in public. Gogel however, had been right all along about this measure, as the expectations were not met. Already in April the deputies had to conclude that the loan was a failure: Instead of 30 million, only 17.7 million guilders was raised. Appelius promptly blamed the minister and his public obstruction for the meagre results. Fritschy argues that the only reason why it was somewhat successful was because the loan contained a lottery.¹⁷⁸ Because the voluntary loan had failed, the announced levy on property of two per cent without interest (*don gratuit*) was decreed in June. The 25-year long income tax of 1798 was again augmented with one per cent to five per cent. This raised

¹⁷⁴ *De Staatsomwenteling van 1795 in haren aart, loop en gevolgen beschouwd*, J.H. Appelius (Leiden 1801). *Besluiten Eerste Kamer*, 9 juli 1800, bijlage 'rapport commissie Appelius'.

¹⁷⁵ Pfeil, 'Tot redding van het vaderland', 232.

¹⁷⁶ *Dagverhaal der Handelingen van het Vertegenwoordigend Lichaam des Bataafschen Volks*. Part IX (The Hague 1800) 507-674.

¹⁷⁷ Pfeil, 'Tot redding van het vaderland', 233-34.

¹⁷⁸ Fritschy, *De patriotten en de financiën van de Bataafse Republiek*, 181.

20.6 million guilders and about three million guilders respectively. The selling of national domain was also disappointing just as Gogel had predicted.¹⁷⁹

The tug-of-war between Executive and Legislative powers added to the frustration of Goldberg and Gogel, which can be seen in their correspondence. To give an example:

I fear that they [the deputies] will departmentalize [re-federalize] the debts, the Second Chamber seems to persist. O Unity! O Unity! How will we keep everything separated, only Heaven knows. I understand that You cannot do much more with your little fund [the secret fund that Gogel had assigned to him] - yet it seems to best to keep in place, perhaps You can still do something good with it - although I see little salvation in the future - one should have a considerable amount of Patriotism not to abandon the ship while we still can.¹⁸⁰

The irritation was widespread, not just with Gogel and Goldberg. The Assembly was disappointed in the Directory and the entire Directory was disenchanted with the behaviour of parliament. The deputies felt that they were the chosen representatives of the people that had to protect the interests of them, while the Directory felt appointed to save the nation and was responsible for the state's survival. The Directory therefore opted a constitutional change in early 1801, which was also instigated by France. There were several discussions in 1801 about institutional change, which could possibly ease decision-making or could include former Orangists to create reconciliation and a broader base of support. Gogel and Goldberg, staunch Unitarians, were also disappointed in this form of government, and wrote about constitutional changes.¹⁸¹ The democratic Gogel even pleaded for a more powerful (authoritarian) regime, where the Executive branch would be less subordinate to the Legislative branch.¹⁸² Goldberg had the same thoughts as his proposals were often turned down and in his blueprint of 1798, Goldberg had imagined institutions, such as the intended national bank or a bureau of conversion, to be subjected to the Agent of Finance, not to the Executive (the five Directors) and certainly not to the divided Assembly.

The subordination of the Agent to the Directors and the Two Chambers of the Representative Body, as written in the constitution, was a hindrance to effective policy-making. Because Gogel was often right often the state of finance, we can argue it was even a hindrance to an effective recovery of the state's creditworthiness. If Gogel would have had near-dictatorial powers the taxation plan would have been implemented in 1799, which Gogel projected to increase revenue by 30 per cent.

¹⁷⁹ Pfeil, *'Tot redding van het vaderland'*, 225-28.

¹⁸⁰ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 223A, Letter from Gogel to Goldberg, 8 Dec. 1798.

"Ik vrees dat men de schulden departementaliseren zal [terug federaliseren], de 2^{de} kamer schrijft hierop vol te houden. O. Eenheid! O Eenheid! Hoe men dan de boel zal uit elkander houden weet den Hemel. Ik begrijp ook dat gij met uw kleine fonds [het geheime staatsfonds, zie voetnoot 3] thans niets meer uitrichten kunt – doch mij dunkt gij moet het noch maar onder te houden, misschien kunt gij er noch eens goed mede doen – hoezeer ik weinig heil voorzie – ten men zekerlijk veel Vaderlandsliefde moet bezitten om niet des gehelen boot te laten lopen zo als het kan."

¹⁸¹ NA, Collectie 051 Goldberg, 2.21.006.51, inv. nr. 226, 'stukken betreffende het plan constitutie van Gogel, 1801.'

¹⁸² Colenbrander, *Gedenkstukken der Algemene Geschiedenis van Nederland van 1795 tot 1840*, Book III, 643-45, 'memorandum van Gogel over de constitutie (ca. begin 1801)'.

For every budget deficit that he saw coming he would have taken immediate action by levying extraordinary measures. Gogel would have saved crucial time by cutting the months-long bickering. The Unitarian constitution of 1798 meant that competent ministers were subjected to the whims of other politicians. Repeatedly, conflicts between political factions, between the interests of coastal and land provinces, between the Directors and the legislative body, or between the First and Second Chamber, impeded Gogel's and Goldberg's reforms and postponed their plans. It is hard to speak of institutional incapability because the nation did not default and some plans were eventually realized, but we can speak of institutional inefficiency because it took so long to achieve results. The interplay of competing forces curtailed the goals of the ministers, so much that they were willing to sacrifice democracy for pragmatism, even though both ministers had been fervent Unitarian democrats from the very beginning of the Batavian Revolution.¹⁸³ Only Gogel's devout patriotism prevented him from resigning. The discussion on the new constitution only fuelled the resentment between politicians and after increased tension and disappointment, Gogel and Goldberg were sacked on 2 October 1801, just two weeks before Federalists and conservative Moderates overthrew the government, and installed the reactionary *Staatsbewind* (1801-05) with French consent.

Reactionary policy during the Staatsbewind

The *Staatsbewind* reversed many of the Unitarian policies. Although the national debt was not departmentalized, as Gogel had feared, the re-federalization Gogel occurred after his dismissal: the departments were reversed to provinces, guilds returned, as did the corporative elites at a local level.¹⁸⁴ Under the new constitution, the *Staatsbewind* would have a much weaker legislative, where a majority of the deputies had Federalist or even Orangist intentions. Figure 7 on the next page shows the affiliation or faction of the deputies, if known. Compared to the (moderate) Unitarian consensus of the 1798, the *Staatsbewind* has a (moderate) Federalist dominance. Besides, the Representative Body could only accept or reject proposals, the right of amendment and the right of initiative were gone. Census suffrage reserved voting rights only to the well-to-do and indirect elections of the deputies meant that troublesome or radical individuals were easily kept out of parliament. The executive power was less bothered by the obstinacy of the legislative branch, but the role of the ministers was not increased, as Gogel and Goldberg had hoped, on the contrary, instead of one Agent per department a council of three was formed. Appelius became one of the three successors of Gogel. The five-headed Directory was replaced by a College of twelve. The Batavian revolution was effectively over, at some points even back where it had started, and Gogel

¹⁸³ Pfeil, 'Tot redding van het vaderland', 203-206, 228.

¹⁸⁴ T. Poell 'Local Particularism Challenged, 1795-1813', in O. Gelderblom, *The Political Economy of the Dutch Republic* (Burlington 2009) 306-309.

had to wait until he was recalled in 1805 to serve as minister. The French had increased their interference in their sister republic, hence the autonomy of the Staatsbewind was just nominal.¹⁸⁵

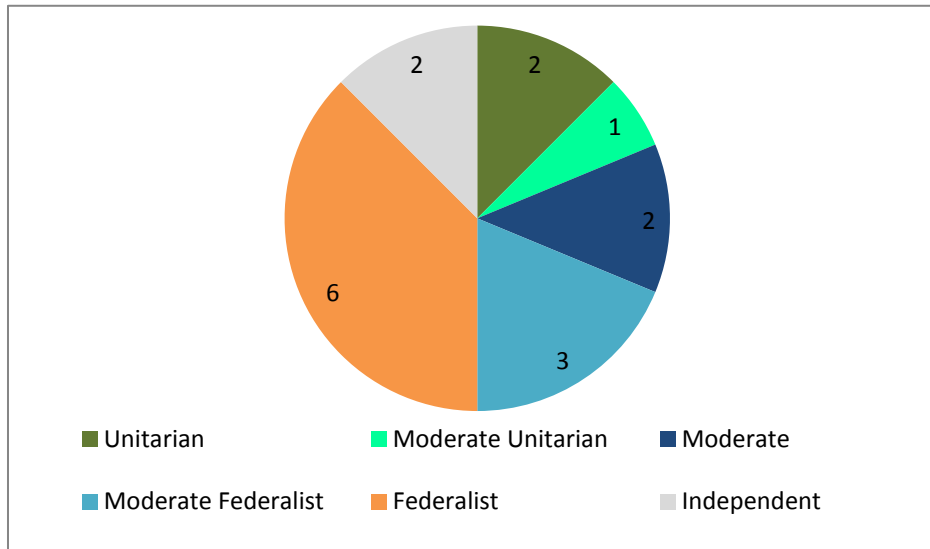


Figure 7: The Representatives during the first year of the Staatsbewind 1801-02.

Sources: A.M. Elias, and P.C.M. Schölvinc, *Volksrepresentanten en wetgevers: De politieke elite in de Bataafs-Franse tijd 1796-1810*. (Amsterdam 1991). http://www.parlement.com/id/vh8lnhrp8wta/periode_van_het_staatsbewind_1801_1805

In spite of the reservations that Goldberg and Gogel had against the Staatsbewind, neither Goldberg nor Gogel would disappear entirely from the political arena. Goldberg was approached to become one of the twelve members of the College, but he was still angry. His pride was hurt and his Ministry of National Economy had vanished altogether in 1801. Goldberg returned to his business activities in Amsterdam while scheming for a political return. He grew more and more enthusiastic about Napoleon and tried to gain his favour. In 1803 he travelled to Paris to sound out Napoleon's intentions about the Batavian Republic.¹⁸⁶ Gogel also returned to his business, co-operating with Saportas, but he kept involved in the economic affairs in The Hague. He finished a final version of the plan of the National Bank, but this was rejected by the Staatsbewind a year later. He kept corresponding with his friend and pupil Canneman, who had been secretary at the Ministry of Finance and who had stayed on that post, giving his mentor inside information.¹⁸⁷ Despite the hostility between Gogel and Appellius, Gogel was again given the job of Commissary of the Beleenbank and continued to work for his secret amortisation fund, which had become an official amortisation fund by now. Remarkably, Appellius and his two colleagues praised Gogel for what he had done, he was truly 'the only one capable of heading the department'. Gogel even gave advice to the three-headed council of finance. The three successors were also impressed by the secret

¹⁸⁵ Fritschy and Toebe (red.), *Ontstaan van het moderne Nederland*, 144-47.

¹⁸⁶ Zappey, *De economische en politieke werkzaamheid van Johannes Goldberg*, 58, 62.

¹⁸⁷ Leeuwen-Canneman. *Een vriendschap in het teken van 's lands financiën*, VII.

transactions of Gogel and Goldberg.¹⁸⁸ It is presumably therefore, that Gogel would later be summoned in 1802 to conduct secret operations. The best reason why Gogel kept working for the department every now and then, even for his ‘arch-rival’ Appelius, is his devotion. He did not want to work for the Staatsbewind that had ousted him and whose behaviour was against his democratic principles, but he could not abandon his fatherland when it needed him.¹⁸⁹

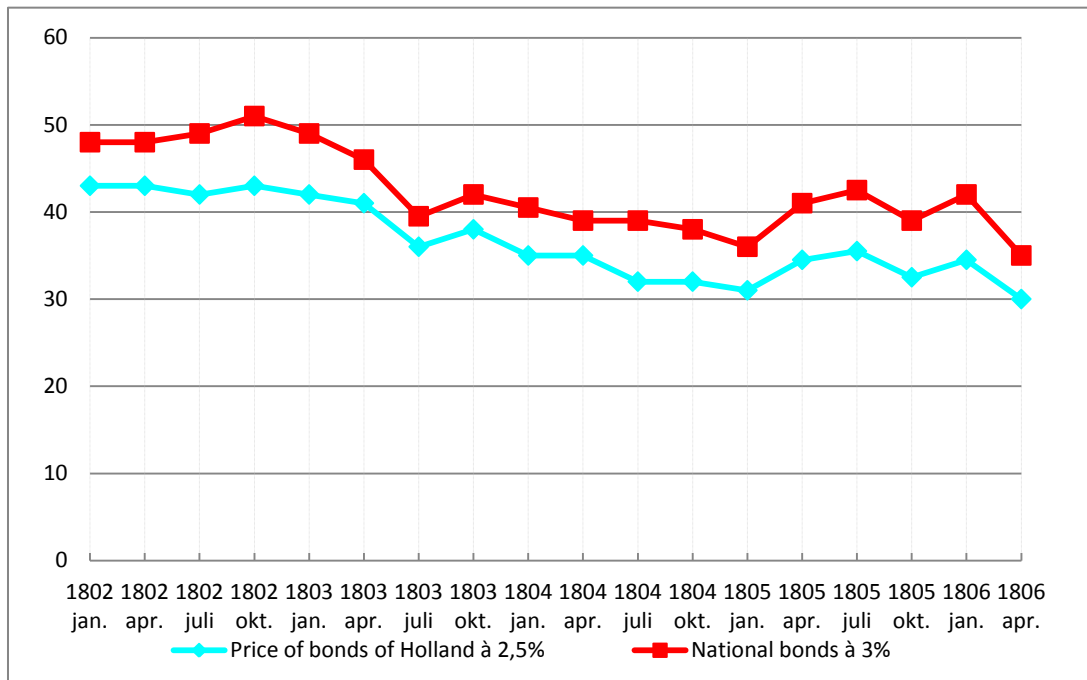


Figure 8: The prize of bonds of Holland.
Source: Pfeil, 550-551 ‘Prijscourant der Effecten’.

Deteriorating creditworthiness

During the Staatsbewind the European war finally came to an end. If the peace efforts had resulted in a permanent peace treaty between France and its adversaries, the Batavian Republic might have been saved. The fact that the financial market stabilized in 1802, see figure 8, shows that peace was probably a better remedy than all Gogel’s efforts combined. Indeed, his dismissal did not lead to a fall of creditworthiness. Only when hostilities were resumed in 1803 and the short-lived Peace of Amiens (1802-03) was over, creditworthiness fell again. The stabilization of the creditworthiness also meant that less extraordinary measures were needed. A voluntary loan was not sufficient in 1801, as Gogel had predicted, but was enough in 1802. The voluntary loan with lottery of 1802 yielded even more than the projected 30 million guilders. This might have been because the government offered a generous interest rate of five per cent. Another reason was optimism about a European peace. The government immediately acknowledged that the deficit was high, more than the Chambers had ever

¹⁸⁸ A letter of Canneman to Gogel, on 10 December 1801. In Leeuwen-Canneman. *Een vriendschap in het teken van ‘s lands financiën*, 24-27, 650-51.

¹⁸⁹ Leeuwen-Canneman. *Een vriendschap in het teken van ‘s lands financiën*, 47-48.

done in 1799-1800, but decided to hesitate with extraordinary levies on property not to waste political support. Eventually they would issue a moderate eight-year long levy of 0.5 per cent on property and two per cent on income to pay for the interest of the voluntary loan.¹⁹⁰ Gogel was furious about these generous terms, the extensive interest for many years would ruin the state's creditworthiness, something the equally surprised council of finance thought too.

The thirty million of costs in 1,2,3,4,5,6,7 and 8 year 20 million in premiums and interest. Never has the world seen anything like this before! (...) Can a government, no matter which, use the capital of its citizens in such a way? Do they want to exile the stockbrokers? Do they want to scare off strangers that want to live here? Do they want to force merchants to move to Antwerp, Bremen etc.? Do they want to make a national default inevitable and hasten it?¹⁹¹

Enthusiasm was so great that more people subscribed for the loan than was possible. Everyone wanted to convert old bonds with a low interest rate or interest-free specie into paper with five per cent interest. The national economy stagnated because so much liquidity was withdrawn from the private sector into bonds. During the brief panic on the stock market in 1802 Gogel was asked to conduct secret transactions on the market. He was given about two million guilders of state funds and discretely restored order and creditworthiness. It was primarily the peace treaty, not the Staatsbewind's prudent financial policy that improved the perennial deficit. For the peaceful year of 1803 the expenses were estimated to be 'just' 50.6 million guilders, 'only' fifteen million higher than the state income.¹⁹² The voluntary loan with lottery of 1803 was accompanied by less generous terms and an increase in taxation to pay for the interest of three per cent. It yielded 16.4 of the projected 22 million guilders. The resurging threat of a war between France and Britain in 1803 caused fear. Worse still, Napoleon wanted the Batavians to participate in an invasion of Britain which meant they had to pay for 18,000 French troops and have 16,000 men of their own ready for the invasion. Napoleon demanded even more of the severely weakened Dutch marine. Instead of a 'peaceful year' the Staatsbewind had to boost its revenue by issuing a levy on property of two per cent (*don gratuit*). This yielded 17 million instead of the projected 20 million guilders. The government meanwhile feared that while anti-French feelings rose fraud increased which might explain the deteriorating revenue of the 25-year long levy of 1798. This caused the Staatsbewind to consider changing the self-assessment of the levy into preceding government assessment. It even considered reverting taxation

¹⁹⁰ Pfeil, 'Tot redding van het vaderland', 322-325.

¹⁹¹ Leeuwen-Canneman, *Een vriendschap in het teken van 's lands financiën*, 38. Letter of Canneman to Gogel, The Hague, 16 Februari 1802. "De dertig millioenen kosten in 1,2,3,4,5,6,7 en 8 jaar 20 mil. Aan premie en renten. Nummer is er in de waereld zo iets vertoond! (...) Mag een bestuur, om het even welk, op deeze wijze over de vermogens der ingezetenen beschikken? Wil men de renteniers het land uitbannen? Wil men vreemden afschrikken om zich hier te vestigen? Wil men kooplieden noodzaken om na[ar] Antwerpen, Bremen etc. te verhuizen? Wil men het Nationaal Bankroet onmisbaar maken en bespoedigen?"

¹⁹² Pfeil, 'Tot redding van het vaderland', 325-28.

to fixed provincial quota, just like before 1795. This was eventually called off, but the deficit did not go away. Unsettled payments and previous deficits ruined all prospect of 1804. More loans were needed to pay for the interest of the previous forced loans, that were necessary to pay for the deficit. The government then hoped to gain 75 million guilders with a voluntary loan against five and a half per cent interest. Unlike the generous loan of 1802, this yielded a meagre result of just sixteen million guilders. Therefore the desperate government experimented with a progressive double levy: a citizen should pay two per cent of its property or up to twenty per cent of its income, depending on which yielded the most according to an assessment by the government. This proved to be successful and several instalments were added in 1804 and 1805. The government also used more force: confiscation in case of fraud or hesitancy to pay and forced guarantees for emigrating people to stem the growing exodus.¹⁹³

What the period of the Staatsbewind shows us is that the budgetary problems were temporarily solved in 1802 when peace was assured. When war again commenced in 1803, creditworthiness rapidly collapsed and every year the government tried new inventions to make people pay. Ordinary revenue did not meet ordinary expenditure, nor did extraordinary levies meet extraordinary spending. The Staatsbewind declared austerity and frugality to be its goal in 1804, but as we have seen in the analysis of the budget of 1798, only debt service and the military were large costs, small cuts on other expenses would never make the difference. The Staatsbewind is known for its lack of institutional changes, it excelled more in reversals. Although it is unknown whether a large institutional overhaul could have improved the financial situation at this point, doing nothing or reverting the nation back to its pre-1798 or even pre-1795 situation surely did not help. Because Napoleon grew tired of the weak rule of the Batavian Republic he appointed the Dutch ambassador in Paris, R.J. Schimmelpenninck, as quasi-president in a new regime. Although Schimmelpenninck had been a leader of the Moderates, he had kept a relatively low profile during his tenure as deputy, with 'cautious temperance' as maxim. As ambassador (1798-1804) Schimmelpenninck had become a devout admirer of Napoleon who could use a loyal supporter to lead the obstinate sister republic. Not without vanity, Schimmelpenninck was delighted to be appointed 'to get the deteriorating store [The Batavian Republic] back on its feet again.'¹⁹⁴

Reforms under Schimmelpenninck and King Louis

When Schimmelpenninck took over in early 1805, both Gogel and Goldberg were contacted by him to work under him. The difference in personalities is apparent in their reaction: Goldberg is more ambitious and pragmatic, he was actively scheming with the French to get a job, while Gogel is

¹⁹³ Pfeil, *'Tot redding van het vaderland'*, 330-40.

¹⁹⁴ H.T. Colenbrander, *Schimmelpenninck en koning Lodewijk* (Amsterdam 1911) 2.

principled and straightforward and dislikes the authoritarian and presidential way of rule by Schimmelpenninck. Although Gogel was just as impressed by Napoleon as Goldberg, he remained a democratic Unitarian.¹⁹⁵ Only when Schimmelpenninck took advantage of Gogel's patriotism and called on his sense of responsibility and duty he accepted the offer but not before Schimmelpenninck had given in to Gogel's demands. He promised to impose Gogel's taxation system, to reduce the powers of department again, and to abandon the forcible rearrangement of the national debt which Napoleon had advocated.¹⁹⁶ Under Schimmelpenninck, the legislative branch was even weaker than under the Staatsbewind, and the executive power was embodied by one man: State Pensionary Schimmelpenninck. In his quasi-presidential role he could enforce whatever reform he wanted. Gogel now could finally implement his taxation plan without opposition in parliament, as the Assembly was a dead letter. The State Council that advised the executive was more influential, but also filled with loyal and sycophantic hand-picked politicians including Goldberg.¹⁹⁷ When the taxation system was finally implemented in 1806, state revenue rose from 38.8 to 46.6 million guilders.¹⁹⁸ King Louis replaced Schimmelpenninck that year as ruler, but this had little effects on financial policy, except that Louis demanded more extravagancy for his lavish court. The amortization fund was officially created and granted one and half million guilders to redeem the national debt.¹⁹⁹ The centralization of all provincial treasuries was also fulfilled. In 1807 the centralization of coinage was finished when all houses were closed except the new national mint in Utrecht. A national bank was still not created though, that would have to wait for 1814. Despite the institutional innovations that had waited several years to be created, the real problems were not solved under Schimmelpenninck or Louis. The debt service and military expenditure remained sky-high. Napoleon's wars consumed more and more money from France's vassals. Although the new taxes boosted revenue by 30 per cent, see the small increase in figure 9 on the next page, it was not enough to solve the deficit. Each year additional money was needed, after which forced loans were issued, which solved most of the problems of that year, but these required more interest next year. Interest rates went to six and seven per cent in 1807 and 1808 respectively to create more appeal, but it was still not enough.²⁰⁰ The national debt rose to an astronomical amount of more than one billion guilders at the end of king Louis' term (1810). Although the institutional deficiency of the Dutch Republic that had prevented reforms for so long had been solved by 1805-06, its financial position was no longer solvable by new institutions or new measures. Worse still, confidence had been undermined for

¹⁹⁵ Vles, *Alexander Gogel (1765-1821)*, 141-47.

¹⁹⁶ Colenbrander, *Schimmelpenninck en koning Lodewijk*, 7.

¹⁹⁷ Ibidem 35-45.

¹⁹⁸ Fritschy, 'The Efficiency of Taxation in Holland', in O. Gelderblom, *The Political Economy of the Dutch Republic*, 64-65. M. 't Hart (ed.), *A Financial History of the Netherlands* (Cambridge 1997) 82.

¹⁹⁹ Van Leeuwen-Canneman. *Een vriendschap in het teken van 's lands financiën*, XXVII.

²⁰⁰ Pfeil, 'Tot redding van het vaderland', 546.

several years now, which is why the price of bonds fell and the forced loans and measures failed to meet expectations. The state had ended up in a downward spiral of debt. Only an end to Napoleon’s wars and a forcible rearrangement (*tiërcering*) of the national debt could end the down-ward spiral.

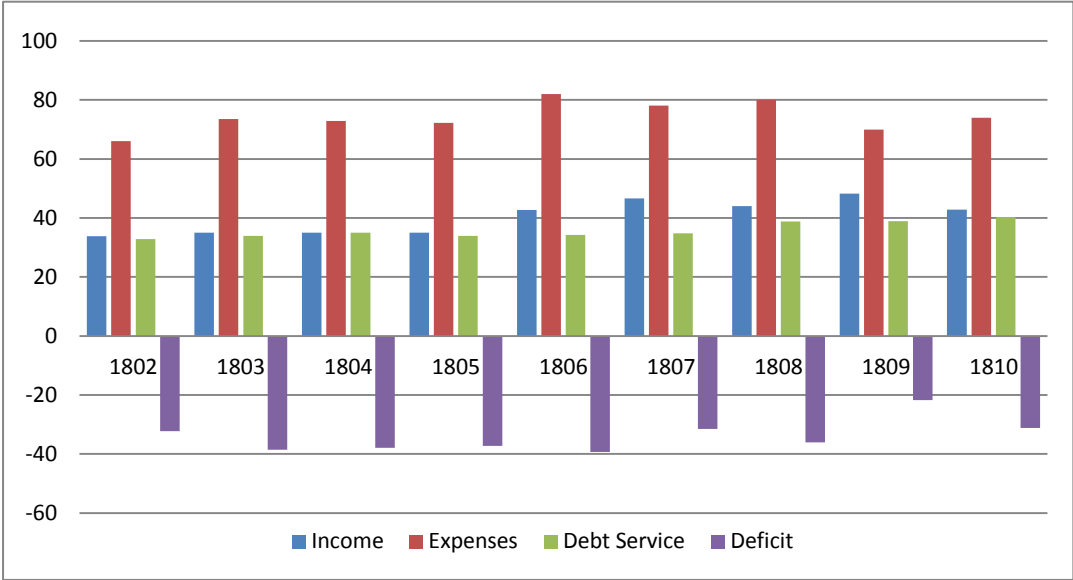


Figure 9: The Dutch annual budgets and deficits, 1802-1810. Source: Pfeil, 209. Smidt & Sprenger, 247.

Conclusion

This chapter shows that the subordination of the ministers to the five Directors and the Two Chambers of the Representative Body, as written in the constitution, was an impediment to effective policy-making. The ministers who thought that they understood best what to do, which was often true, could not impose their view on the Assembly. Gogel was widely seen as the most competent man for the function of Agent of Finance, so when he presented evidence and statistics he expected the deputies to listen. The fact that Gogel was usually right when Appelius was not shows the competence of the former, and the obvious agony when he was sidelined. The period 1798-1801 was disappointing in terms of institutional change, despite the promising and revolutionary constitution of 1798, writing by radical Unitarians who wanted to change the entire nation. The representatives in the Chamber were divided, and procrastinated because of their personal interests, or obstructed because of their own stubborn views. Under these hard conditions the ministers did what they could, or tried to prevent what they could as they were always preoccupied with the fall of the state’s creditworthiness and the credit supply drying up. The growing disappointment and resentment makes it no surprise that Gogel and Goldberg were sacked one day, only their devotion had prevented them from resigned earlier.

Hamilton did not have as much problems with the American Congress as Gogel had with the Assembly so he could bring about a financial revolution in only a few years. By the time he resigned,

in 1795, Hamilton's reforms were largely cemented and his successors found it hard to reverse things. The first term of Gogel however, was too short and too unsuccessful to achieve as many permanent results as Hamilton. The Staatsbewind reversed the creation of departments, guilds returned, corporative elites returned, and Federalists and even Orangists returned to power. On the other hand, the few financial successes remained: the amalgamation of debt and the bureaus of conversions remained, as did the national budget.

This chapter also shows the beneficial effects of peace, which had a positive effect on the nation's creditworthiness around 1802. If the Peace of Amiens had endured for a considerable amount of time and the stalled reforms would have been implemented, the Batavian Republic might have been saved. This clearly did not happen, and each year more debt was added to the already colossal debt and each year a vicious circle of overdue accounts and increased debt service prevented a balanced budget. The problems of the republic were therefore no longer solvable in these years.

During the second term of Gogel and Goldberg the financial unification was completed. We cannot call it a financial revolution, as they failed to restore public finance and debt management nor created an effective central bank. In this second reformist period (1805-1810) new taxation, a centralized coinage, an amortization fund and the creation of a national treasury were all introduced. Just like Hamilton's reforms these were not easily reversed. In fact, the new Kingdom of the United Netherlands continued to use all these innovations. What did not return were the low interest rates of bonds. The United Provinces had historically low interest rates because investors had high confidence in the public debt management. The new kingdom would never reach interest rates below three per cent, so in this regard the Batavian period is one of regression. Not even the new national bank could re-introduce that level of confidence.²⁰¹

In the long run, Gogel, Goldberg, and the other Batavians laid the groundwork for the post-1814 period. William I, king of the United Netherlands, would gratefully use their proposed and finished work. The Allied powers gave William a throne with absolute power, but the Batavians had given him a centralized nation-state and a sophisticated unitary fiscal system, as well as a huge national debt that was still not solved. This makes the Batavian period an important prelude to the new kingdom, with Gogel and Goldberg among its financial architects.

²⁰¹ M. Dincecco, *Political Transformations and Public Finances* (Cambridge 2011) 38-40.

Conclusion

This research set out to reveal how the Batavians tried to restore their nation's creditworthiness after the Batavian Revolution. This proved to be a tougher nut than expected, as the reformers encountered a myriad of constraints. They met stiff resistance from provincial and local interests which had prevailed for so long in the federal republic. To get reforms implemented, they either had to go through a laborious process of negotiations or they could sidestep democratic means and push through reforms by force. Moreover, their ideals of how a financial system should be arranged were not always realistic, nor was the contrast with the previous regime as stark as they imagined. Additionally, the effectiveness of a competent minister of finance such as Gogel was hampered by limitations on the minister's executive power. These factors hindered the implementation of financial reforms in the Batavian Revolution.

Compared to the arena in which U.S. Treasury Secretary Hamilton enjoyed such success, the Dutch faced extra disadvantages and more difficult circumstances. The Dutch were divided from the start, and deliberations were slowed down by the Dutch tradition of seeking consensus (*poldermodel*) and the unabated presence of established provincial interests. The state's institutional incapability meant that the state itself had to be overhauled in a lengthy process which itself comprised a contentious battleground pitting Federalists against Unitarians. The second disadvantage was that the Dutch revolutionaries were more dependent on the money market than American or French revolutionaries were. Hamilton could build a new financial system, whereas the Dutch had to reform the old one, a system that had flourished for 200 years but was now in a terminal phase. This limited Gogel's scope of action, as the money market could not be allowed to collapse or to lose faith in the state's creditworthiness. In addition, the Netherlands were fighting a war that heavily burdened the state. The English raided Dutch shipping routes and colonies, while the French used the Dutch as a cash cow and drew them into a war by which they stood nothing to gain. This thesis aimed to prove that without peace, a wholesale recovery was never possible anyway. The Dutch were fighting a running battle, as neither their expenditures nor budget deficits could be reduced and the debt only continued to grow. In America, Hamilton faced no such problems. The virtuous Batavians quickly realized they had to adapt to reality, as reforms depended on more than zeal and ideals alone. They therefore abandoned some of their goals in favour of realistic but harsh measures. They introduced extraordinary measures to bridge the deficit in the short term, but did nothing to resolve the debt in the long run. Confronted with these difficult circumstances and numerous constraints, Gogel and his trusted friend Goldberg achieved mixed results. The Dutch did not default, and their deficits were slowly reduced, but a real 'restoration of finance' was not achieved. When the more authoritarian regimes of the 1800s cemented existing reforms and pushed

through stalled reforms, the financial unification of the Netherlands was nearly completed. The exception was that they did not create a national bank, though this could not have resolved the debt and salvaged creditworthiness in a protracted period of war. The real beneficiary in the long run was their successor, the United Kingdom of the Netherlands in 1814.

This research is an attempt to shed new light on the Batavian economic reforms by analyzing them from the perspective of a financial revolution, like the one that occurred in United States of America in the 1790s. The thesis highlighted the work of minister Gogel and that of the lesser known Johannes Goldberg, and made a subtle distinction with regard to the historical consensus on Dutch institutional deficiency. Gogel and Goldberg played a crucial role in the attempted restoration of the nation's credit supply. Although this thesis cannot promote Goldberg from the 'second-rate' status the literature has assigned to him to the top rating enjoyed by the likes of Gogel, his brilliance and great insight are proven by the proposals of his blueprint, all of which were eventually realized. Whereas Hamilton succeeded in realizing the 'six components' of a financial revolution, the Dutch failed to do so. They neither restored sound public finances and public debt management nor created an effective central bank. Institutional incapability and many constraints prevented them from doing so. More importantly, by the time most institutions and reforms were finished around 1806 it was already too late. The national debt and annual deficits had gotten out of control, the continuous war had ruined the nation's creditworthiness, and various enforced measures had sapped the confidence of its citizens. Institutional change or an amendment to the budget were no longer sufficient enough at that point. This thesis attempts to show that institutional reforms were necessary to restore the state's creditworthiness and to solve institutional and even constitutional inability, but that it was not enough to complete the task without favourable conditions, that is, peace and an end to French occupation. Since this did not happen, no revolution could have solved the financial problems of the Dutch republic after the continuation of the European war in 1803.

Further research could examine the topics that were discussed in the political arena but did not result in actual policy. We can also deduce information from what was *not* discussed in parliament; for instance, it is worth considering why the Second Chamber was busier discussing Gogel's constitutional authority and his formal instructions than his plans to save the nation from defaulting. By zooming out from the fray of daily politics we can learn more from the Batavian Revolution about ways to recover from a crisis, as the Dutch were very creative in their use of the existing financial market to aid the state. Several financial measures were taken in an attempt to restore the state's creditworthiness and some plans yet to be described in historical literature were considered, which demonstrates all the more convincingly that the Batavian Revolution was not a clear-cut linear process but a protracted struggle in which many plans jockeyed for ascendancy. Pragmatism prevailed over idealism; the ingenious transactions that took place on the financial

market were in fact incompatible with pure Batavian values. Finally, there are two more topics which warrant further research: the French demands on sister republics and the fate of certain Dutch institutions. The French are often depicted as a static occupying power with equally static objectives, but this thesis shows that their course was fickle and inconsistent, and that this usually had an immediate impact in the sister republic. There is, as yet, no comparative study on the effects of French policy in all sister republics. Secondly, a few Dutch institutions have not been thoroughly researched. The Beleenbank is rarely mentioned; Fritschy's main study discusses its first term until 1799, but this thesis shows that the bank was reinstated in 1799 as a National Beleenbank. It would be instructive to quantify how many people used it to pawn goods after 1799. It is also unclear how much debt was amortized through the mortification fund in the 1800s. Finally, the Wisselbank is another institution that can be studied. It would be useful to know how it fared after its heyday, and whether it was still used. After all, it was not until 1820 that its doors were finally closed for good, partly because Goldberg had created the new Nederlandsche Bank.

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