CHAPTER SEVEN

STATE FORMATION AND CITIZENSHIP:
THE DUTCH REPUBLIC BETWEEN MEDIEVAL COMMUNES
AND MODERN NATION STATES

With Maarten Prak

Introduction

The relationship between the state and its inhabitants is one of the fundamental themes of political economy and New Institutional Economics. It is often assumed that interests of the state – to maximize its level of income – and those of the citizens – to have their property rights protected – normally diverge. Douglass North (1981), for example, defines the central issues of early modern economic development that (on the one hand) economic growth requires secure property rights, whereas (on the other hand) the central issue of pre-modern politics was how to bind the predatory actions of the state. Although the state is supposed to be the agent of the citizens, there are often no institutions that bind the actions of the state in such a way that citizens can be sure their property rights will be respected.

One of the fundamental characteristics of the early modern period was that, within the limited space of Europe, different types of states competed fiercely, in war and the preparation for war (Tilly, 1990). It is obvious that the way in which states constructed their relationship with their citizens must have been crucial for their long-term success in this struggle for survival. States that found efficient solutions for the dilemma sketched by North must in principle have done better than states unable to solve this fundamental agency problem. Other factors – economies of scale, and the solutions for coordination problems that arose whenever larger political entities were created (Epstein, 2000) – obviously played a role as well. The power of a state controlling twice the resources (e.g. armies) than its smaller neighbour is probably (ceteris paribus) more than two times as large as that of its neighbour.1

1 A detailed discussion of this concept and its use in military history in Latzko
These military economies of scale, which according to Latzko (2005) emerged in the two centuries before 1700 as a result of the introduction of modern firearms, are also fundamental for understanding the process of concentration and consolidation that occurred in Europe between 1000 and 1800. However, as Tilly (1990) has demonstrated, this process was not straightforward; attempts to create European empires failed, demonstrating the limits of economies of scale in state formation. According to Tilly, the ‘capital-intensive’ city-states in the zone stretching from Northern Italy to the Low Countries obstructed the ambitions of monarchs such as Charles V and Philip II to create a pan-European empire. During the sixteenth and seventeenth centuries these small states, which, as we will argue, had solved the agency problem in a particularly efficient way through a special relationship with their inhabitants, were able to resist the offensive of the large territorial states, in spite of their small size. They thus helped to preserve the competitive state system of Europe, a system that has often been identified as one of the explanations for the ‘rise of the West’ during this period. That Europe did not become one single integrated empire, but continued to be a competitive system of relatively small states – some of which already developed into nation states during this period – finds its explanation to a large extent in the role played by these ‘capital-intensive’ city-states.

In this chapter we analyse what were the specific features of one case, the Dutch Republic, arguably the best example of a small state to play a disproportionately large role in the European state system in this period. It helped to counterbalance the hegemonic ambitions of the Habsburgs between 1568 and 1648 and attempted to play the same role during the late seventeenth and early eighteenth centuries when Louis XIV had similar military-strategic aims. But to many later observers the Dutch Republic has appeared to be quite inefficient at first sight: it was a rather bizarre constellation of urban and provincial privileges, held together by an a-typical, decentralized state. Yet, this relatively small state turned out very successful; in spite of its size it was one of the major European powers during much of the seventeenth century. Moreover, we will demonstrate that the specific features of this state

(2005); the classical formula for this was already given by Lanchester in 1916: ‘the fighting strength of a military force is proportional to the square of its numerical strength multiplied by the fighting value of its individual units’ (Latzko, 2005, p. 18).