
Student Information Sheet

The Netherlands

The Netherlands is a small country, located on the southern coast of the North Sea, east of Great Britain. It is often referred to as the Low Country (along with modern day Belgium and Luxembourg) because most of the country is at or below sea level. The country is also known as Holland. To confuse things more, the people of this country are not called Hollanders or Netherlanders, but are known as the Dutch.

In the 16th and 17th centuries, the Dutch developed a powerful empire based on financial wizardry and trade. The Dutch were among the first people to realize the benefits of banking. Dutch people were encouraged to be thrifty and frugal, to save their money and put it in banks. This provided a pool of money, also known as capital, for people who wanted to establish businesses. It was not only Dutch business people that borrowed this money, but other European countries became heavily dependent on Dutch banks. Many European wars in the 16th and 17th centuries were financed by Dutch banks. The Dutch also developed a stock market, and pioneered the idea of large companies owned by many different stockholders. Until as late as the 19th century, the Dutch East India Company was one of the world's few successful examples of a large, prosperous company owned by many different stockholders.

The Netherlands also became a world trade centre. The Dutch developed a large fleet of merchant ships, and became world leaders in shipbuilding and navigation. These ships sailed around the world and returned to the Netherlands with goods from Dutch colonies, and also from the colonies of other European powers. These goods were then sold and distributed to other European countries at a profit. The Dutch became world famous as "middlemen", buying goods and reselling them. Even today, the Netherlands is a distribution point for many of the goods coming into Europe from other parts of the world. The largest and busiest port in the world is found in the Netherlands.

Amsterdam, with its large protected port, was the most important city in the Netherlands. Along with the goods and people that came to Amsterdam from all over the world, came many new ideas. The Dutch developed tolerance for people with religions and cultures different from their own. This tolerance helped maintain Holland as one of Europe's most peaceful countries in a time of constant warfare, some of which was based on religious differences. Thus tolerance led to peace and stability, and this in turn encouraged wealthy people from other countries to invest their money in Dutch banks or businesses. Even today, the city of Amsterdam is famous for its tolerance of practises which are strictly prohibited in most other countries. Things such as prostitution and drug trafficking are carried on openly in the streets of Amsterdam during all hours of the day.

Just as there was much diversity and tolerance in Amsterdam, so there was much freedom. Governments in the Netherlands allowed people the freedom to make their own economic decisions. If a person wanted to establish a shipping company, they did not require government help or government permission.

Thus the political and commercial success of the Dutch was based on the moral principles of thrift, frugality, and toleration. These beliefs were necessary for the Netherlands to develop the banking, shipping, and trading empire which made them successful.

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France

With long coasts on the Atlantic Ocean, the Mediterranean Sea, the English Channel, and a land base which covers a large part of Western Europe, France is well positioned for economic dominance in Europe and the world.

The view of France's kings in the 17th and 18th centuries was that economic leadership in the world required absolute political control at home. All potential opposition to the king had to be crushed for the sake of unity in the country. If the nobility were allowed to pursue their own selfish and independent interests, surely the country as a whole would suffer, perhaps even break up into a large number of smaller kingdoms. This, in the realm of economics and business, French kings did not allow anyone to act independently. All economic decisions were tightly controlled by the monarchy. In order to encourage production, the government subsidized a number of industries, and gave special privileges to others. Although this initially led to rapid growth in industrial production (France was the most industrialized country in the world in the late 17th century), it also led to a number of problems.

The French state was very large, very powerful, and consequently, very costly to run. Just like governments today, French kings had to tax the people heavily to pay for the operations of the state. However, to encourage industrial production, most large businesses were not required to pay taxes. For one reason or another, most of the rich people in France were exempted from paying taxes. This meant that the poor people, who were largely peasant farmers, had to shoulder the burden. This was one of the main actors which led to the decline of agricultural production in France. Since France was still largely an agricultural country, the growth of its economy was halted by poor agricultural production. The economic power of the state was further limited because the method of tax collection in France was extremely inefficient and corrupt. These factors eventually led to a stagnation of the French economy. Further economic development could only be possible if agricultural output was increased.

Another problem with the French economy was that French kings did not yet realize the advantages of banking. To pay for its wars, France constantly had to borrow money from Dutch banks.

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Great Britain

As an island nation, Great Britain had a number of economic advantages over landlocked countries. As an island, defence required a large navy, and trade required a large fleet of merchant ships. Britain had both. When international trade became more frequent and more important, Britain already had in place the shipping fleet and ports which became fundamental to the economic infrastructure of the 17th and 18th centuries. Being a nation of sailors, Britain was more exposed to the different ideas and different ways of thinking that could be found around the world. However, isolation from mainland Europe meant that Britain was less exposed to the destructive impact of foreign attack.

Important developments occurred in Britain in the 16th century which paved the way for future economic changes. Henry VIII established an efficient centralized state which was able to manage the country economically. Perhaps more importantly, he gained control over the church, and sold the church's large land holdings to the middle and upper class. This was one factor leading to the idea that the purpose of land should be profit, not status or political and military power. Hence the land was farmed to make money, and the desire to make more money led to improvements in agricultural techniques. This led to further changes in agricultural policies, for the purpose of growing more food and making more money.

A stock market and banking system were also established in the 16th century. Those with money began to invest it in the hopes of making profits. Stock markets led to the establishment of companies with large amounts of money - these companies developed new industries and generated economic growth.

By the 17th century, the British began to develop some revolutionary banking methods. Business people began writing notes to bankers to transfer money from their account into the account of someone they owed money to. This led to the system of chequing, and the notes to bankers became cheques like those we write today. An overdraft system was also established, whereby people wrote cheques for more money than they had in their account. This worked like a temporary loan. By loaning money they did not in reality have, the banks were actually creating new money. This resulted in more money being available, which led to greater economic growth.

Although Britain, like France, had a strong, central government, the British government differed from the French government in that it placed few restrictions on the activities of business people. The British government allowed people to pursue their own business interests, believing that the country would be helped, not harmed, by these activities.

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You are in charge of government policy for whichever country you were assigned to (Great Britain, France, or the Netherlands). Below are a number of policy options your government is faced with. Given your present knowledge of your country, you must choose one of these options. Do not be concerned if you cannot predict the consequences of your decision - neither could the people who actually made the decisions!

Agriculture

1. Landownership

- a) Encourage the existing system in which most peasants own or lease small plots of land. When the growing season is over, all land becomes common pastureland on which the peasants allow their animals to graze.
- b) Consolidate the tiny, peasant-owned plots into large fields owned by the richest peasants. Enclose these fields and eliminate the traditional rights of common pastureland.

2. Land Use

- a) Allow peasants to farm the land in their customary manner.
- b) Encourage the introduction of new crops and new farming methods. This may result in higher yields and more food, or may lead to crop failures and famine.

3. Church Lands

- a) Allow the church to maintain its control of vast amounts of land so that it can provide social services for the needy.
- b) Sell church lands to private owners who will use the land to make profits for themselves.

Transportation

- a) Allow the area controlled by each village or town to construct its own roads and levy its own tolls for passage on the roads.
- b) Give the central government control of roads and eliminate all tolls.

Business Organization

- a) Allow the guilds to have exclusive control over an industry. They will control the quality of the product, the amount produced, the price of the product, the materials used to make the product, and the design and function of the

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- b) Encourage the "putting-out system" of production, merchant hires individuals, usually those living in the country, to produce goods in their homes. It may be possible to produce more goods this way, but the quality of these goods will be inferior.

Finances

- a) Follow the traditional means of building up national wealth by accumulating gold.
- b) Establish banks and a national currency to replace gold.

International Trade

- a) Export as much as possible but import as little as possible.
- b) Export those items which you can produce most effectively and import those which are very-costly for you to produce.

Education

- a) Offer private education only to those who can pay for it.
- b) Offer education to everyone who wants it.
- c) Have compulsory education for children from ages 6-16.

Taxation

1. Assessment

- a) Make everyone pay the same percentage of their income.
- b) Make the rich pay a higher percentage of their income.
- c) Provide incentives for business people by exempting businesses from paying taxes.
- d) Make the rich pay taxes and exempt the poor.

2. Collection

- a) Sell the job of tax collector to the highest bidder.
- b) Give local leaders the duty of collecting taxes.
- c) Make tax collecting the job of the national government.