Libertarian Class Analysis and Economic History

ABSTRACT: Modern libertarian writers have developed the concepts of class analysis inherited from their classical liberal forebears, and have used them to explain political conflict and the nature of the state. While the possibilities for explaining developments in economic history by the use of class conflict have been acknowledged, little work has been done to extend libertarian class theory in this direction. Our goal in this paper is to show how the political conflict between classes affects economic history. This will be done by analyzing the nature and composition of the ruling class in more depth and relating it to the typology of interventionism proposed by Rothbard and Hoppe's comparative approach to the analysis of different social and economic systems. We will then apply our theory to the case of the Golden Age of the Netherlands, as this is a key episode in the economic history of Europe that we think well illustrates the explanatory power of class analysis.

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1. Introduction

While class conflict and class analysis is still generally thought of as Marxist concepts, modern libertarians has done a lot of work to uncover and refine the true, original and classical liberal theory of class conflict. Leonard Liggio[1] and Ralph Raico[2] were among the first to highlight this earlier theory and describe it's superiority over the Marxist analysis, and David Hart[3] has also contributed important insights on this aspect of classical liberalism. While it is not central to modern libertarianism, modern scholars have nevertheless clarified and integrated class analysis into their political and economic worldviews.[4]

Modern libertarian class analysis has focused on how the opposition between rulers and ruled, tax consumers and tax payers, is the basis of political conflict and social unrest. While it is a clear implication that the spoliation by the ruling classes is destructive of the full economic potential of a given society, this implication has not been much explored by modern writers on the topic. Hoppe has explained how the extent of exploitation may determine which states enjoy long-term success, but his argument is limited to very long-term considerations, as it explains the success and failure of states over centuries of struggle. It is our contention that there is more explanatory power in class analysis than this. Specifically, we mean to show that the class struggle in a given society can also determine its economic development in the short term, that is, over a few decades or generations. The flourishing of civil society and the market economy is dependent on how free it is, and this in turn depends on the interventions imposed by the ruling classes according to their economic interests and the ideology that

1 Leonard Liggio, 'Charles Dunoyer and French Classical Liberalism', *Journal of Libertarian Studies*, 1.3 (1977), 153–78.

2 Ralph Raico, 'Classical Liberal Exploitation Theory', *Journal of Libertarian Studies*, 1.3 (1977), 179–83.

3 David M. Hart, 'Gustave de Molinari and the Anti-Statist Liberal Tradition: Part I', *Journal of Libertarian Studies*, 5.3 (1981), 263–90; 'Gustave de Molinari and the Anti-Statist Liberal Tradition: Part II', *Journal of Libertarian Studies*, 5.4 (1981), 399–434; 'Bastiat's Theory of Class: The Plunderers vs. the Plundered', *Davidmhart.Com*, 2017 <http://davidmhart.com/liberty/FrenchClassicalLiberals/Bastiat/ClassAnthology/index.html> [accessed 14 August 2018]; Rothbard's analysis of James Mill's class views might also be mentioned. *Classical Economics*, An Austrian Perspective on the History of Economic Thought, Mises Institute edition, 2 vols (Auburn, Al: Ludwig von Mises Institute, 2006), I, pp. 75–78.

4 Murray N. Rothbard, 'The Anatomy of the State', in *Egalitarianism as a Revolt against Nature, and Other Essays*, 2nd ed (Auburn, Al: Ludwig von Mises Institute, 2000), pp. 55–88; Hans-Hermann Hoppe, 'Marxist and Austrian Class Analysis', in *The Economics and Ethics of Private Property: Studies in Political Economy and Philosophy*, 2. ed (Auburn, Al: Ludwig von Mises Institute, 2006), pp. 117–38; Ralph Raico, 'The Conflict of Classes: Liberal vs. Marxist Theories', in *Classical Liberalism and the Austrian School* (Auburn, Al: Ludwig von Mises Institute, 2012), pp. 183–217; Roderick T. Long, 'Toward a Libertarian Theory of Class', *Social Philosophy and Policy*, 15.2 (1998), 303–49.

guides them. By pairing class analysis with Rothbard's systematic critique of interventionism in *Power and Market*[5] and Hoppe's comparative systems approach,[6] we hope to make it clear that the trends of economic history depend to a large degree on the material interests and ideologies of the ruling classes.

Since we intend to show the importance of class analysis for explaining economic history we also include one important historical example: that of the Netherlands during the so-called golden age of the Dutch Republic in the seventeenth century. This example is not chosen at random. The Netherlands was one of the first modern capitalist economies and it was in the seventeenth century that it first experienced substantial economic growth.[7] Furthermore, Deirdre McCloskey in her interpretation of economic history singles out precisely the Dutch Republic in this era as the beginning of bourgeois, capitalist society.[8] While we do not dispute her claims about a change in rhetoric and attitudes to commerce, we think that we can provide much more concrete causes for the economic flourishing of the Netherlands by focusing on the economic and ideological struggles between the commercial bourgeoisie and the parasitic or predatory classes.

2. Libertarian Class Analysis

> "In every revolution there has always only been two parties: That of the people who want to live by their own efforts, and that of the people who want to live off of the work of others. (…) Patricians and Plebeians, slaves and freemen, Guelfs and Ghibellines, Red Roses and White Roses, Cavaliers and Roundheads, liberals and serviles, all are but varieties of the same species. It is always the question of material well-being that divides them..."[9][10]

This statement, published in 1837 during the heyday of French Liberalism and clearly an inspiration to Marx's more famous lines, indicates the basis for the libertarian or classical liberal approach to class and class conflict. Exploitation and class conflict is in this view a question of using state power and

5 Murray N. Rothbard, *Man, Economy, and State with Power and Market*, Scholar's edition, 2nd edition (Auburn, Al: Ludwig von Mises Institute, 2009).

6 Hans-Hermann Hoppe, *A Theory of Socialism and Capitalism*, Second edition (Auburn, Al: Ludwig von Mises Institute, 2013).

7 Jan de Vries and A. M. van der Woude, *The First Modern Economy : Success, Failure, and Perseverance of the Dutch Economy, 1500-1815* (New York: Cambridge University Press, 1997); Jonathan Israel, *The Dutch Republic: Its Rise, Greatness, and Fall, 1477 - 1806* (Oxford: Clarendon Press, 1995).

8 Deirdre N. McCloskey, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago: The University of Chicago Press, 2016); *Bourgeois Dignity: Why Economics Can't Explain the Modern World*, Paperback (Chicago: The University of Chicago Press, 2011).

9 Adolphe Blanqui, Histoire de l'Economie Politique en Europe depuis les anciens jusqu'à nos jours, 4th edition, 2 vols (Paris: Guillaumin, 1860 [1837]), i, p. 4.

10 My translation.

coercion to maintain privileges and extract wealth, as well as enforce a social order that would not arise on it's own absent continued coercion and aggression against the rights and property of the citizens. Class conflict, in other words, arises when one group of people uses what Franz Oppenheimer famously called the political means – the forceful appropriation of the labor and goods of others – instead of the economic means – production and voluntary exchange – of acquiring goods.[11] The organization of the political means is what we call the state, and for Oppenheimer the state may even be defined as "the organization of *one class* dominating over the other classes"[12] and we should therefore expect the state to be at the center of class conflict – a conflict over the means of coercion, not the means of production.[13]

There are, however, some problems with thus conceiving the state as the sole locus of class conflict. First of all, the term "state" bears connotations of huge bureaucracies, complicated procedure, standing armies and police ready to enforce the will of the sovereign – but in this sense the state is a recent phenomenon that emerged after the middle ages. Secondly, even if we conceive the state in more formal terms we have to admit it is a recent arrival in world-historical terms. Weber's definition of the state as the monopoly on the legitimate use of physical force is,[14] at least on the face of it, not readily applicable to much of history. There has always been political strife and class conflict,[15] so we must remember not to fixate on the state in its current form as the source of these conflicts.

Even in Oppenheimer's definition of the state cited above, echoed by Murray Rothbard,[16] the dangers outlined above are present. Specifically, we need to make clear exactly what is meant by organization in this context, as this does not always – or even primarily – mean the explicit, visible structures of the modern state. To do this, we will first briefly sketch how society would look in the absence of class rule and exploitation.

The free society

In a society free of class conflict, all interactions are voluntary, they are based on the mutual recognition of rights and justly acquired property.[17] Its members work and freely exchange their good

11 Franz Oppenheimer, *The State. Its History and Development Viewed Sociologically*, trans. by John M. Gitterman (New York: Vanguard Press, 1914), p. 24ff.
12 Oppenheimer, p. iv. Emphasis in original.
13 Michael C. Munger, 'Book Review: Social Class and State Power', *The Independent Review*, 23.2 (2018).
14 Max Weber, *Weber's Rationalism and Modern Society*, trans. by Tony Waters and Dagmar Waters (New York: Palgrave Macmillan, 2015), p. 129ff.
15 Long, pp. 334–35.
16 Murray N. Rothbard, 'Anatomy of the State', p. 59.
17 Hoppe, 'Marxist and Austrian Class Analysis', p. 125.

and services. Society is the result of their continuing, cooperative actions, which each of them undertakes for his own aims, but which yet, due to the principles underlying the greater productivity of work under the division of labor, redound to the benefit of all members of society.[18] As social cooperation progresses and intensifies, greater differences between the citizens emerge. Some are by nature and training better placed to specialize in highly productive and valued tasks which are more highly paid. Others are better entrepreneurs and more successful in investing their saved capital and build greater fortunes. Even small differences in the amounts saved by men equal in other respects will over time lead to great differences in wealth.

The very existence of society then, implies differences and inequalities between its members. These are inherent in human nature, and are reinforced by social cooperation.[19] In themselves, these are not a consequence or a source of exploitation. On the contrary, insofar as it results from voluntary production and exchange, inequality can be seen as an index of the greater wealth of society as a whole and of every member of society individually.[20]

What keeps society together is not simply material factors. It is made possible by the diversity of nature and the principle of greater productivity under division of labor, but it is only made actual by man's conscious action: "Society is the product of thought and will."[21] We stated above that a free society is based on the recognition rights and just property, but such recognition is not automatic. It is the result of consciously held ideas, since the legitimacy of property titles and contracts is not self-evident – property is only legitimate insofar as it is recognized as such by the members of society.

In short, a free society is dependent on and sustained by an ideology – a set of ideas that determines what counts and does not count as legitimate actions – no less than a society dominated by an exploiting class is. While we may argue that the free society, where legitimate property titles are based on original appropriation and voluntary transfer, is natural in the sense that it is most commonsensical and would probably find widespread support in public opinion,[22] it is still necessary to clarify and reinforce the intellectual and moral basis for such a society. It will probably be necessary as conflicts arise within such a society to delimit the proper boundaries of just actions and property simply to

18 Ludwig v. Mises, *Socialism. An Economic and Sociological Analysis*, trans. by J. Kahane, 1981 Liberty Fund reprint (Indianapolis, In: Liberty Fund, 1981), p. 256ff.

19 Murray Newton Rothbard, 'Egalitarianism as a Revolt against Nature', in *Egalitarianism as a Revolt against Nature, and Other Essays*, 2nd ed (Auburn, Al: Ludwig von Mises Institute, 2000), pp. 1–20.

20 Murray N. Rothbard, 'Toward a Reconstruction of Utility and Welfare Economics', in *The Logic of Action One: Method, Money, and the Austrian School*, by Murray N. Rothbard (London: Edward Elgar, 1997), pp. 211–55.

21 Mises, *Socialism*, p. 258.

22 Hoppe, *A Theory of Socialism and Capitalism*, pp. 23–26.

adjudicate disputes and punish criminals. But it will also very probably be necessary to defend this order against intellectual challenges. So the free society, no less than class rule, requires ideological justification.

Exploitation and class rule

There is no need or reason to assume that there would not be aggression against person and property in a free society like the one we have just sketched. Such aggression, however, is not what is meant by exploitation. Rather, exploitation and class rule is when one group of people live at the expense of the rest of society. This, in essence, is Bastiat's theory of class: it is plunderers vs. plundered, what Bastiat termed spoliation.[23] What turned one-off acts of violence into a system of exploitation and class rule was its organization, it's permanent character. As soon as the idea arose that it was possible to live at the expense of others. Pareto even goes so far as to say that "(t)he struggle of some individuals to appropriate the wealth produced by others is the great factor dominating all human history."[24]

In what does this organization of exploitation consist? Simply its acceptance by the members of society. While exploitation may originate as a violent imposition, if it is to continue for any length of time, it has to meet at least with the tacit consent of the exploited. Simply the passage of time may confer some legitimacy on violent impositions – if a tax has been paid since time immemorial there may be a presumption that the receiver of it has a right to it, but in general such consent must be engineered. This is the role of intellectuals in the employ of the ruling class:[25] to construct and propagate an ideology that justifies coercion, privileges, taxation and so on. In the absence of such an ideology, it would be impossible to uphold class rule, since all exploitation would have to be carried out by brute force, which would quickly lead to the disintegration of society.

The organization of the means of coercion – the state – is therefore kept in being by ideology. It is the ideological conviction of the population, its support of or hostility to the ruling class, that determines how much can be exacted from it. One of the basic doctrines of the ruling class is to identify itself with the land it rules, thereby making the natural patriotism work to its favor.[26] Another gambit for the exploiters are to proclaim themselves the defenders and promoters of the most popular religion in the area under their rule, thereby gaining support from the pious feelings of the populace and the influence

23 Hart, 'Bastiat's Theory of Class'.
24 Vilfredo Pareto, *Sociological Writings*, ed. by S. E. Finer, trans. by Derick Mirfin (New York: Frederick A. Praeger, 1966), p. 117.
25 Murray N. Rothbard, 'Anatomy of the State', p. 63.
26 Murray N. Rothbard, 'Anatomy of the State', p. 66.

of the priesthood under their rule. These ideologically justifications are not free, however. Should the rulers fail to defend the land against foreign invaders, patriotism may make the citizens reject the rulers as incompetents or perhaps in the pay of the hated foreigner. Religion is also an unstable element in the rulers' ideology, since most religions are already well-developed when they become interesting as ideological supports for governments. The most rulers can hope for is that established religions will confer legitimacy on their rule, but only at the prize of at least outwardly conforming to the teachings of the church.[27]

Ideologies, then, do not simply legitimate exploitation, they also shape and direct it. Often rulers may even act out of ideological conviction, they may be trapped, as it were, by a system of thought that grew up to allow them to act with impunity in pursuit of material gain, but which then developed a logic of its own. At other times, ideological conviction may even be primary. That is to say, men may try to attain power in a given society in order to shape it according to their own convictions. It is a matter of historical investigation what collection of motives shapes a given historical episode.

The ruling class does not interact with the rest of society only by spoliation. As their position is specially privileged, the rulers are also at the head of vast patronage networks. Not only are they able to dispense the gifts that public opinion concedes are theirs to give – redistribution of wealth, grants of monopoly and other protections for special interests, subsidies for favored groups and businesses – they can also grant what many ideologically motivated individuals seek: power and influence to implement their ideas. In this way, the rulers can bolster their power and secure widespread acceptance of their rule, as they make self-interest as well as ideology work for them. Like Roderick Long suggests, patronage is a key ingredient in class rule throughout history, but it is not a question of the wealthy donating to the poor.[28] Rather, through patronage the ruling elite allows the ruled to share to some extent in their privileges. Depending on the specific historical circumstances, this may have been the main way to achieve a modicum of wealth, and it may have been considered legitimate that this was so; after all, it was a consequence of the ideologically sanctioned class rule. Nevertheless, this is not a case of redistribution of wealth *per se*, but of redistributing the wealth and other perquisites due to the privileged position of the ruling class.

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27 Tom Holland, *In the Shadow of the Sword: The Battle for Global Empire and the End of an Ancient World* (London: Little, Brown, 2012) gives a fascinating account of how the scholarly elites of the subjugated peoples of the Near East forged much of the content of the new religion of Islam in order to put an ideological bridle on their new Arabian masters.

28 Long, pp. 334–38.

The ruling class is thus not hermetically sealed off from the rest of society. Just as the rulers may extract wealth from society and enforce a certain pattern on it according to the reigning ideology, so the ruled may attempt to join the ruling class and influence its ideology. The ruled may even resist or try to supplant the rulers. That is the clear implication Blanqui drew from his list of opposing parties, but this does not mean that the opposition party is actuated by an anti-exploitation ideology. As per our argument, rulers and ruled often share the same set of ideological convictions, and party differences usually result from disagreements over one or two points, not over the whole ideological framework underlying social life. However, such differences may move society closer to or longer away from the ideal of a free society. The Dutch struggles over toleration and the established Church is a good example: None of the polemicists argued for complete separation of Church and state, but there is still a clear difference between the enforcers of official orthodoxy and those arguing for freedom of worship outside the public Church. Another issue that has often led to strife is opposition to the introduction of new taxes. While the principle of taxation has seldom been questioned, this or that specific new tax has led to party strife, even revolt.

Just as the careful investigation is needed to lay out the specific relations between rulers and ruled, so the internal composition of the ruling class repays close analysis. Roderick Long has suggested a useful division of the exploiters into the *statocrats* or the *statocratic class* and the *plutocrats* or the *plutocratic class*.[29] The statocrats are those who hold office in the state or political order, they are the full-time apparatus of class rule. The plutocrats are those who are nominally outside the organization of class rule, but who nevertheless influence it and maneuver to gain privileges and subsidies while formally in the private sector. This distinction is clearly functional: there is no reason why a man can not enjoy the privileges of rule while still to some extent providing services to the rest of the citizenry in the market.[30] The ‘pure’ statocrat live entirely by coercion, is engaged full-time in the business of exploitation, while plutocrats can sometimes seem to be just as benign as free-market entrepreneurs, because for most of the time that is exactly what they are.

We can now bring the modern state back into the picture. The growth of the state is the growth of permanent, consciously organized and ideologically justified exploitation. This does not mean that the ruling class becomes exclusively statocratic, but it does mean that the statocratic element expands, as the number of professional bureaucrats rises to new heights.

29 Long, p. 317.
30 Long, p. 325.

Yet we cannot simply say that everybody employed by the state and drawing a salary explicitly funded by taxation is a member of the ruling class. If this was the case, then everybody in a socialist state would be an exploiter since everybody would be employed by the state, but that would be absurd. The rulers are not simply everybody who are dependent on the state for their income, but those who are directing the state and shape its policies. This group is probably very small, but again precise definition is impossible – it is a matter for historical investigation. Indeed, public employees may be enemies of the statocratic class, if they become convinced that their functions could be better performed on the free market or in some alternative, non-exploitative way. The statocratic elite, in other words, is still dependent on the might of an ideology that supports their rule.[31]

The growth of the state and large numbers of professional bureaucrats and other public employees does mean, however, that there are now new constituencies more closely interested in the continuance and expansion of the rule of the government they serve. After all, this serves their own material interests and ideological convictions – after all, an expanded state means more power and higher salaries for the servants of the state. They are therefore ready to follow the lead of the statocratic elite and are often the classes from which this elite is drawn. This is especially the case if the statocratic elite is composed of career bureaucrats and politicians, positions that are in principle open to all comers,[32] but for which the professional public employees – presumably experts in running the state – are highly suited.

What was just said about statocrats and bureaucrats also hold for businessmen and plutocrats. Some political entrepreneurs may gain a special privilege – say, a tariff on steel – that favors their own business interests. Now, every domestic producer of steel gains from such a tariff, at least in the short run, even if he did nothing to bring it about. Yet once the tariff exists, he may well support the party advocating it's continued existence, since his own profits and livelihood apparently depends on it. Once the privileges exist that favor their economic interests, businessmen may readily become supporters or constituents of the plutocratic elites that can ensure that these privileges continue and are extended. By creating these privileges, the plutocratic elite transforms the market into a collection of antagonistic groups, whose economic interests are ostensibly in conflict with each other. The plutocrats are assured a central role in this connection, as they are the fount of privileges that can ensure the gains of one group at the expense of the others. Yet their role is dependent on an ideology that supports such a

31 On the concept of might, see Ludwig v. Mises, *Human Action: A Treatise on Economics*, The Scholar's Edition (Auburn, Al: Ludwig von Mises Institute, 1998), pp. 188–91.

32 Hans-Hermann Hoppe, *Democracy – the God That Failed: The Economics and Politics of Monarchy, Democracy and Natural Order* (New Brunswick, [NJ]: Transaction Publishers, 2001), p. 45ff.

system of mercantilism.[33] Should businessmen become convinced free-marketers, they might organize to oppose plutocratic rule and privileges, not to get to share in them.

This completes our overview of the libertarian theory of class. We have focused on the interactions between the ruling and the ruled classes and on the role of ideology, as these are the dynamic elements most important for interpreting history. We now move onto see if more can be said about how class conflict influences economic history.

3. Class Conflict and Economic History

There are many views on what have led to economic change and development in history. We have already mentioned Deirdre McCloskey's recent trilogy, which focuses on the role of rhetoric and discourse in fostering capitalism and bourgeois society. An opposite more 'materialist' explanation is Gregory Clark's focus on the eugenic processes, understood culturally as well as biologically, that led to the escape from the Malthusian trap in England and western Europe during the Industrial Revolution.[34] This is not the place to offer a detailed critique of these or many other equally interesting approaches to the study of economic history. What we want to do is offer a competing interpretation of history rooted in the theory of class conflict and exploitation.

There is nothing new about this interpretation. Murray Rothbard argued that the history of mankind and in particular its economic history might be considered a contest between the two principles of human interaction – peaceful cooperation and violent predation.[35] This contest is manifested in class rule and resistance to class rule. Pareto thought that the ways thereby classes are recruited and recipients of incomes are selected is a highly important factor in the determination of social phenomena and explicitly linked this idea to the theory of class: "The qualities which make for man's success in the struggle against the forces of nature are not the same as those which ensure success in the wiles and strategems resorted to in spoliation."[36] Indeed, already Blanqui in 1837 made the connection between liberty and prosperity on the one hand, and exploitation and poverty on the other throughout history:

33 Ludwig v. Mises, 'The Clash of Group Interests', in *The Clash of Group Interests and Other Essays*, ed. by Richard M. Ebeling (New York: The Center for Libertarian Studies, 1978), pp. 1–12.
34 Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World*, The Princeton Economic History of the Western World (Princeton, NJ: Princeton Univ. Press, 2007).
35 Murray N. Rothbard, 'Anatomy of the State', p. 86.
36 Pareto, p. 119.

> "The least flash of peace and liberty was followed by a shower of wealth and prosperity; the same causes produced the same effects, despite differences in morals and institutions. The misery of the people was always due to the inequalities of burdens, the vitiated distribution of the income from labor, and to the dominance of a few groups who mastered the art of protecting their abuses by the force of law."[37]

Clearly, then, the idea that there is a link between between libertarian class analysis and economic development is not new. Yet there has been precious little work done on exploring exactly how one affects the other. Hans Hoppe has shown how in the long term freer, less exploitative states tend to win out over more coercive, more exploitative states. This is due to the simple fact that the weaker a state is internally – that is, the less it exploits its own population – the richer society becomes.[38] This is a very long-term consideration, however, one that plays out over centuries of interstate struggle. Our contention is that class relations can also be decisive for developments of economic history over shorter time-frames.

Our starting assumption is that it is in the nature of the free market to deliver increased prosperity over time. This it mainly does in the following three ways:

1) Saving and the accumulation of capital goods lead to a longer, more productive structure of production that delivers more physical goods. As workers have more, and more physically productive, tools to work with, they become themselves more productive. Their greater productivity leads to increases in their wages, as competing entrepreneurs bid up wages until these reflect the discounted marginal value product of the worker in question.

2) As people multiply and accumulate capital, the division of labor becomes more intense and markets are extended. Since there is now even more room for specialization, this means that workers becomes more productive and even more is produced with the same amount of physical capital goods. This follows simply from the law of comparative cost or the Ricardian law of association.[39]

3) The constant striving for entrepreneurs on the free market for profits leads them to always be on the lookout for ways to better serve their customers, either by delivering a new or a better product or by

37 Blanqui, I, p. 2. My translation.
38 Hoppe, 'Marxist and Austrian Class Analysis', p. 134.
39 Mises, *Human Action*, pp. 158–60; Mises, *Socialism*, pp. 259–61.

doing it more cheaply. New resources are discovered, new methods of production are introduced, and the structure of production is constantly rearranged.[40]

It should be clear that the free market is exactly the same as the free society. Everybody only earns an income by voluntary exchange. The capitalists are paid interest on their investments, the workers are paid wages for their labor, and the entrepreneurs earn profits if they are successful and suffer losses if they are not. There is no class conflict on the market, no exploitation.

Purely ideological and cultural factors have a clear influence on how prosperous a society is. If leisure time is valued very highly in a given society, there will be less material goods in this society, simply because workers and capitalists prefer to consume a greater part of their prosperity in the form of free time. It may also be that some cultures breed less alert, more complacent entrepreneurs than others. These factors are, however, purely incidental to our analysis. A ruling class may foster ideologies that are more or less inspiring for workers and entrepreneurs, but there is no clear connection between these ideas and the fact of exploitation. This is clearly seen if we consider that they might also be held by individuals in a completely free society.

What systematically limits the tendency to economic growth is interventionism on the market that works against the 3 factors listed above. Taxation may limit the amount of net saving or even lead to capital consumption. Barriers to trade may hinder the formation and spread of markets and the progressive division of labor, both internationally and domestically. Privileges and monopolies prevent the effective exercise of entrepreneurship. This makes the economy less adaptable to changed circumstances and less able to make use of new resources or inventions.

Some interventions seem less damaging than others. Government spending on consumption goods may appear relatively harmless. It is only redistribution from one set of consumers to another, after all. However, it hampers the division of labor, as more people are attracted to leave productive employment and instead seek government largesse; and it leads to reduced savings, as the taxed population now have to spend their resources supporting the groups who are favored by the government redistribution as well as themselves.

In order to analyze how different interventions may affect the trajectory of economic history, it is useful to turn to Rothbard's typology of interventionism and to Hoppe's comparison of capitalism with

40 Jesús Huerta de Soto, *Socialism, Economic Calculation and Entrepreneurship*, Third edition (Cheltenham, UK: Edward Elgar, 2010), pp. 15–36; Jesús Huerta de Soto, 'The Theory of Dynamic Efficiency', in *The Theory of Dynamic Efficiency*, Rev. edition (Abingdon: Routledge, 2010), pp. 1–30.

different types of socialism or interventionism. Together, these works not only give us an overview of the effects of violent interventions in the free market, they should also make it possible for us to link class analysis and economic development.[41]

Rothbard classifies interventions in three broad categories: *Autistic*, *binary*, and *triangular* interventions.

Autistic intervention is when the aggressor or intervener coerces the subject without receiving any good or service in return. Enforced observance of the norms and dictates of the official ideology of the ruling class is perhaps the most important form this type of intervention takes for our purposes. Such interventions defy economic analysis, as they do not affect market exchanges. Yet they are still very important in understanding the actions and goals of historical actors.

Binary intervention is a coerced exchange between the intervener and his subject. The subject is coerced into giving the intervener a good or performing a service for him. Taxation and forced labor are the prime examples of binary intervention, but government expenditures must also be classed as such.[42] It is the main form of intervention that supports the statocratic element of the ruling class and its clients. Wealth redistribution and pay to civil servants are examples. But so are interest payments to holders of government bonds and payments to private contractors. Binary interventions may also serve plutocratic interests. This is the case if, for instance, government funds are paid out as subsidies to favored businesses.

Triangular intervention is when the intervener compels or prohibits an exchange between a pair of subjects. This formal definition may seem somewhat obscure. However, Rothbard's division of triangular intervention into product control and price control should make it clear what we're talking about:[43] triangular interventions regulate what sort of products can be sold by whom and to whom at what prices. Monopolies, product regulation, and special privileges are all examples of triangular intervention. This general class of intervention is especially favored by plutocratic elements of the ruling class and their clients. It allows them to enhance their income and prestige while still pretending to be no different than other businessmen, who try to make a profit by serving the consumers. This does not mean that the statocratic class cannot gain from triangular interventions. Usually, their enforcement

41 Murray N. Rothbard, *Man, Economy, and State*, pp. 877–78, 1058–61; Hoppe, *A Theory of Socialism and Capitalism*, chaps 3–6.
42 Murray N. Rothbard, *Man, Economy, and State*, pp. 1151–55.
43 Murray N. Rothbard, *Man, Economy, and State*, p. 1075.

requires an expanded bureaucracy with expanded powers, which caters to both the material and ideological interests of the statocratic classes.

This brief statement of Rothbard's typology of interventions yields a few general conclusions: autistic interventions are the commands and edicts that the ruling class issues to promote and defend its ideology. As such, this type of actions are extremely important in understanding political and intellectual history. Binary interventions primarily favor the statocratic class, but they can also be used to the advantage of plutocratic elements. And triangular interventions are mainly employed to privilege the plutocratic class, but they are also beneficial to statocrats.

All interventions reduce the general level of wealth in society in some way, but do so in different ways and to different degrees. Binary interventions, taxation and government expenditures both, reduce the amount of money available for private investment. In this way, it hampers growth and development, as there are less savings available for private investment than there would have been absent the intervention. Should the level of taxation rise too high, not only will it absorb all net savings, it will also lead to capital consumption, as the tax payers have to pay out of their accumulated capital.

In a society characterized to a large extent by taxation and wealth transfers, more and more people will attempt to join the ranks of the tax receivers instead of being taxpayers. This is what Hoppe calls social democratic socialism.[44] This process is accompanied by the spread of an ideology that justifies state action and redistribution of wealth, even if at the outset the existence of a free market was admitted as necessary. In this way, binary interventions reduce the amount of invested capital, and increase the number of people living off of the taxpayers in some way, either on the dole or in public employment. So long as the market is still free and functioning, it is still possible for market entrepreneurs to produce goods and create wealth, but their efforts are increasingly turned to servicing the state, the ruling class and its clients, as these are responsible for an increasing proportion of consumption spending in society.

A society primarily characterized by triangular interventions develops in the direction of what Hoppe calls conservative socialism.[45] Special privileges and all sorts of restrictions and regulations to protect capitalists and workers from competition and change make the market system less and less adaptable. More and more, as the system develops, a person's income depends on special privilege, not on his skill at his work and his ability to serve his customer. Increasingly, therefore, there is a tendency to spend

44 Hoppe, *A Theory of Socialism and Capitalism*, pp. 58–74.
45 Hoppe, *A Theory of Socialism and Capitalism*, pp. 96–97.

more and more time on politics, petitioning for a privileged place in the social order and for new interventions favoring one's own current position in the market.

While such a system does not directly reduce the amount of savings, it does significantly restrict the opportunities for profitable investment. Or rather, it redirects such investment to the political process, where it is spent on consumption. So indirectly, by narrowing the possibilities for investment, triangular interventions reduce the total level of capital accumulation.

More serious is the long-term effect from freezing the production structure and the distribution of wealth and incomes. Innovations are in effect outlawed,[46] and the job of the entrepreneur is made exceedingly difficult, as he has to navigate an increasing list of privileges and regulations. On the free market, the production structure is continually revolutionized as entrepreneurs introduce new inventions and adapt to changes in consumer preferences. But this work is hampered and potentially even blocked as, more and more, price and product controls, monopolies and cartels are forced on the market. Therefore, in the long run, a society such as this may become extremely poor compared to its neighbors, as it falls behind in innovation and the market is no longer guided by the forces of consumer demand and competition.[47]

The composition and ideology of the ruling class is key in determining what sort of interventions the rulers will force on society. A purely statocratic ruling class would be intend on maximizing their share of resources, while leaving the market intact to function efficiently so far as possible. A purely plutocratic elite would want to secure their positions and incomes on the market from all the vicissitudes of fortune by means of privilege etc. They will also try to minimize the amount of taxation, since their incomes would be diminished by binary intervention. The former will emphasize an ideology of state action and wealth transfer, while the latter will tend to justify their privileges as just another kind of right, just like the rights of property enjoyed by all members of society.

We thus come to the conclusion that statocratic and plutocratic classes have opposing interests. Since no ruling class is exclusively one or the other, there is an ongoing power struggle within the ruling class between the competing elements. We should also not discount the ideological element. The plutocrats' ideology will be closer to a defense of property, if not of the market, and it will therefore attract the propertied classes, while the statocrats' ideology will advocate increased numbers of state employees and increased wealth transfers, and they will therefore attract those elements marginalized and

46 Hoppe, *A Theory of Socialism and Capitalism*, pp. 103–5.
47 Hoppe, *A Theory of Socialism and Capitalism*, p. 109.

excluded by plutocratic policies. However, we should remember that an ideology is not always about justifying class rule. The ruling class or parties within it may become convinced that reform is needed, and that drastic changes are necessary, not only to preserve the current rulers' privileged positions, but simply because they no longer think the present system morally and intellectually defensible.

This is as far as a purely theoretical analysis can take us. The specifics of what precise interventions are favored by what parts of the ruling class in a given society at a given time cannot be predicted a priori. This depends on the material interests and the dominant ideas and ideologies of the historical episode under review. It is to one such episode we now turn.

4. The Case of the "Golden Age" of the Dutch Republic

During its Golden Age, roughly 1580s-1700, the Dutch Republic achieved a remarkable degree of prosperity and continued economic growth. It is regularly cited as the first country to achieve sustained economic growth[48] and lead the world into the bourgeois era.[49] The economic statistics certainly bears out this view. The population of the Netherlands doubled over the 2 centuries 1500-1700, from 1 to 2 million souls (1.9 million by 1650). This went along with a sustained increase in GDP per capita. This rose from an index of 60 in 1570 to 98 in 1650, but stagnated thereafter and stood at 97 in 1700 (100 = United Kingdom in 1820).[50] The value of accumulated capital also rose drastically throughout the period: from about 10-12 million guilders in 1500 to 1,750 million guilders in 1790.[51] Most of this growth happened before stagnation set in in the late seventeenth century.

Growth in population was particularly marked in the western, maritime provinces. In the provinces of Holland and Friesland, it tripled from 350,000 to 1 million.[52] As should be expected, this led to a high rate of urbanization: 42% of all inhabitants of the country lived in towns and cities by the 1670s, and the percentage was even higher in the highly developed maritime provinces.[53] But it was not simply the main city of Amsterdam that grew. Rather, it was a whole network of medium-sized towns and cities

48 Douglass Cecil North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (Cambridge: Cambridge University Press, 1973), p. 145.
49 McCloskey, *Bourgeois Dignity*, pp. 10ff, 24.
50 J. Luiten van Zanden, 'Early Modern Economic Growth: A Survey of the European Economy, 1500-1800', in *Early Modern Capitalism: Economic and Social Change in Europe 1400-1800*, ed. by Maarten Roy Prak, Routledge Explorations in Economic History, 21 (London: Routledge, 2001), pp. 69–87 (pp. 72, 76).
51 P. Dehing and M. t'Hart, 'Linking the Fortunes: Currency and Banking, 1550-1800', in *A Financial History of the Netherlands*, ed. by M. t'Hart, J. Jonker, and J. Luiten van Zanden (Cambridge, 1997), p. 37.
52 Vries and Woude, pp. 50–51, table 3.1.
53 P. Clark, *European Cities and Towns, 400-2000*, 2009, p. 115.

with well-developed industries and well-integrated in the Dutch and European economy that sustained this growth.[54]

Some of the prosperity of the Golden Age can be explained by the foundations laid earlier, it is true. Already by the 16th century, the maritime provinces – Holland, Zeeland, and Utrecht – had achieved a high level of economic sophistication.[55] In these provinces, agriculture was early and extensively commercialized. The peasants were independent and the nobility weak, as the feudal system was nearly completely absent from most of the country[56] – in the northernmost provinces, feudalism had never taken hold, and in the rest of the country feudal ties were almost completely dissolved by 1500.[57] There was also a lot of capital invested in agricultural enterprises throughout the 17th century. Land and land improvement and reclamation became a regular investment object for the urban middle class.[58]

In terms of trade and shipping, the picture early on was dominated by the Baltic grain trade and the large herring fleets. A lot of capital, especially in Holland, was invested in here.[59] Over time, however, trade with the East Indies and the Americas also developed. This was a rapid development after 1595, as Dutch merchants sought to break the Portuguese monopoly on spices. Their success in this regard was astonishing, and the Portuguese were delegated to the second division in one fell swoop.[60] So successful were the Dutch, that the market was flooded by 1601 and the prices fell steeply. The solution, proposed and sponsored by Oldenbarnevelt, the Advocate of Holland, was the organization of Dutch East India trade as a monopoly, The United East India Company (VOC), which was founded 1602.[61] This monopoly was never truly effective, however, since the spice market was European in scope and the company's privileges could only be enforced on the Dutch market. Indeed, the competing African and East India companies – notably the French and Danish – were to a large extent funded by Dutch capitalists unsatisfied with the VOC,[62] so the effects of the monopoly was also limited when it came to the company's power over its shareholders.

54 P. Clark, p. 115; Vries and Woude, p. 62.
55 R. S. Duplessis, *Transitions to Capitalism in Early Modern Europe* (Cambridge: Cambridge University Press, 1997), pp. 26–27.
56 Vries and Woude, p. 17.
57 Israel, p. 106.
58 Vries and Woude, pp. 202–17.
59 O. Gelderblom and J. Jonker, 'The Low Countries', in *The Cambridge History of Capitalism*, ed. by L. Neal and J. G. Williamson, 2 vols (Cambridge: Cambridge University Press, 2014), I, p. 326.
60 F. S. Gaastra, *The Dutch East India Company: Expansion and Decline* (Leiden: Walburg Pers, 2003), p. 17.
61 Israel, pp. 320–21.
62 Violet Barbour, *Capitalism in Amsterdam in the Seventeenth Century* (Ann Arbor: University of Michigan Press, 1950), pp. 137–38.

The Ruling Classes of the Dutch Republic

The problem we intend to answer is: what led to this century of sustained economic growth, and why did the economy slow down after the 1670s before it definitely stagnated after 1700? In one sense, the answer is easy: the Republic generally pursued a policy of economic freedom and *laissez-faire*.[63] But this just leads to the further question: Why was such a policy at all feasible? Our answer is, predictably, that this was due to the composition of the ruling class, its interests and ideologies. In the Republic, there were two main parties opposing each other: the Republicans or States party, centered on the States of Holland, whose most famous leaders were Johan van Oldenbarnevelt (1547-1619) and Johan de Witt (1625-1672); and the Princely or Orangist party, centered on the person and office of the Stadholder of Holland and whose most famous leaders were Maurice of Nassau (1567-1625) and William III (1650-1702). These were not simply factions competing for predominance within the state, but parties with diverging ideologies and interests. The States party saw the Republic as a confederacy for defense, where each constituent province was sovereign, while the Orangists wanted a strong state with a large army headed by a quasi-monarch.

The Golden Age was marked by two long periods of conflict. First against Spain in the Eighty Years' War (1568-1648), then against France after 1672. The revolt against Spain had been motivated by resistance to increased taxation and imposition of Catholic orthodoxy. It had been a revolt partly of the ruling class within the provinces against foreign domination, and partly an internal revolt inside the provinces against the ruling class. For instance, Amsterdam was taken over by radicals and Protestants in 1578.[64] The former city rulers – the regents, as they were called – were exiled, and the new regents selected from a different class: Protestants, generally modest merchants who had been in exile during the years of Spanish repression. After 1590, more regents throughout the United Provinces were active merchants, but this was not true for most of them. The greatest part were descendants of the old elite and continued to draw their incomes from public office and government bonds.[65] Even where purges were carried out – generally to replace Catholics with Protestants – the replacements were frequently close relatives, the sons and nephews of the former leaders. Even in the eastern provinces, on the front line in the war against Spain where fear of the old royalist and Catholic rulers remained acute for

63 Jason Kuznicki, 'Dutch Republic', ed. by Ronald Hamowy, *The Encyclopedia of Libertarianism* (Thousand Oaks, CA: SAGE, 2008), pp. 130–31.
64 Israel, p. 193.
65 Israel, p. 341.

longer, the purged oligarchy could work themselves back in – except now they were resolutely Calvinist.[66]

The revolt against Spain had been very disruptive, but things soon began to settle down and by the 1580s recovery was well on the way, although the war continued to rage much longer.[67] The new parties were also beginning to take form at this early period. The main causes for division were religious policy and the attitude toward Spain. In general, once the prosperous, maritime provinces were secure, the merchants favored peace. Spanish embargoes and privateering had been very disruptive, so the elites of the main trading cities wanted peace so normal business could resume.[68] This party was generally centered on the towns of Holland and the States of Holland and led by the Advocate of Holland, Oldenbarnevelt. The opposing party was centered around the person of the Stadholder, at the time Maurice of Nassau.[69] They were made up of the nobles and career soldiers who derived their incomes from their positions and contracts in the army and the merchants who had an interest in privateering and in smuggling goods through the blockade into the southern Netherlands.

To understand the strength of the war party, it must be realized that the revolt against Spain inaugurated a huge expansion in the military establishment. Between 1588 and 1607 the Dutch army trebled in size to over 50,000 men.[70] When peace came – temporarily – in 1609, it was reduced to 29,000. The war also made huge investments in new fortifications necessary. These were almost exclusively built along the eastern periphery, but 5/6 of the resources needed for building and manning them were transferred from the inner provinces.[71] Life in the garrison towns were profoundly affected by this militarization. In many towns, the garrison was the main or only economic activity, so the townspeople came to depend on it completely for their livelihoods. The fortifications and new garrison system also led to the creation of a new type of military aristocracy. These were professional soldiers who had risen through the ranks to become governors or deputy governors of a garrison town. Their prestige derived from

66 Israel, p. 344.
67 I. A. A. Thompson, ‘The Impact of War’, in *The European Crisis of the 1590s: Essays in Comparative History*, ed. by Peter Clark (London: G. Allen & Unwin, 1985), pp. 261–84 (pp. 262–63).
68 J. L. Price, *The Dutch Republic in the Seventeenth Century* (London: Palgrave Macmillan, 1998), p. 14; J. G. van Dillen, ‘Amsterdam’s Rôle in Seventeenth-Century Dutch Politics and Its Economic Background’, in *Britain and the Netherlands*, ed. by J. S. Bromley and E. H. Kossmann, 13 vols (Groningen: J. B. Wolters, 1964), II, 133–47 (pp. 142–43); Israel, p. 404.
69 Herbert Harvey Rowen, *The Princes of Orange: The Stadholders in the Dutch Republic*, Cambridge Studies in Early Modern History, 1. paperback edition (Cambridge: Cambridge University Press, 1990), p. 45.
70 Israel, pp. 263–64.
71 Israel, p. 265.

lifelong service in the army,[72] and military careers not only conformed to noble ideals, they could also be very profitable.[73]

These men, therefore, had a clear interest in continued hostility with Spain. Both their personal prestige and their income was dependent on a large military establishment, and should a durable peace be negotiated, there would be no justification to continue that establishment any longer.

Another constituent of the Orange party was the office-holding class of the Generality lands. While the Republic of the United Provinces had been formed as the federation of provinces in revolt against their sovereign, King Philip II of Spain, not all the territory the republic controlled was admitted the same rights of self-rule. The so-called Generality lands were lands directly administered by the States General of the Republic, and a career as an administrator was attractive to elements – for instance, the nobility – who did not want to engage in commerce or industry.[74] As Stadholders, the Princes of Orange exercised a lot of influence in the appointment of Generality officials as well as army officers, so they became the general patrons of nobles and others seeking these careers.[75]

The religious divide followed similar lines as the question of war. The question was over the role and power of the Public Church and the degree of toleration afforded to dissenters within and without the Church. There was also a purely theological controversy over predestination between Arminians and Gomarists.[76] While the rebelling regents had sponsored and protected the Reformation, there was a chasm between them and the reformed preachers. The latter saw the revolt as a struggle for the true faith, while the former saw it as a struggle for freedom from oppression and tyranny. As the population became increasingly confessionalized, Calvinist preachers had more scope for mobilizing the people against the regents. Calvinism became the ideology of those who opposed the rule of the regents in the towns. The regents for their part much preferred Arminius to the hardliner Gomarus. The Arminians showed full deference to the civil authority and recognized the right of the ruler to oversee the public church. Gomarus on the other hand insisted that the civil authorities had no rights against the public church.

72 Israel, p. 266.
73 Henk F. K. van Nierop, *The Nobility of Holland: From Knights to Regents, 1500-1650*, Cambridge Studies in Early Modern History (Cambridge: Cambridge University Press, 1993), p. 110.
74 J. L. Price, ‘The Dutch Nobility in the Seventeenth and Eighteenth Centuries’, in *The European Nobilities in the Seventeenth and Eighteenth Centuries, Vol. 1: Western Europe*, ed. by H. M. Scott (London: Longman, 1995), pp. 82–113 (pp. 94–95).
75 Price, ‘The Dutch Nobility’, p. 102.
76 Israel, pp. 369ff, 421ff.

The Arminians attempted to gain recognition and protection through their Remonstrance presented to the States of Holland and Friesland in 1610, but they were expelled and suppressed after Maurice of Nassau's takeover of power in 1618 and the Synod of Dordrecht 1618-19 affirmed Calvinist orthodoxy as the doctrine of the public church.[77] The anti-Arminian party took the name of Counter-Remonstrants and Maurice of Nassau, the Stadholder, skillfully led them to oust Oldenbarnevelt - who was executed for treason in 1618. After this, as town councils and militias were purged of Remonstrant elements, it became increasingly part of Calvinist and civic culture to glorify the Stadholder and the House of Orange. Loyalty to this central figure now replaced former local loyalties.[78]

Outside the public church, the party of the liberal protestants favored a large degree of toleration. Increasingly, after their defeat in the public church in 1618, they extended this toleration further and further, until some of them came to the conclusion that even Catholic worship should be accorded full and unrestricted toleration.[79] By 1662, Pieter de la Court, one of the main ideologues of the States party, could argue forcefully that all religions should be tolerated, as free competition was the best way to discern the truth in matters of religion, and toleration was the only just means of keeping the peace in a religiously heterogeneous society like the Dutch.[80]

Finally, there was also a constitutional split between the parties. The States party argued that each of the seven provinces that made up the union were fully sovereign except where powers had been expressly delegated to the States General. It was by acting on this belief and recruiting militias exclusively loyal to the towns that employed them that Oldenbarnevelt and the Remonstrants precipitated the crisis that led to their downfall.[81] But the ideology of provincial sovereignty was still alive, and informed opposition to the Stadholder in the 1620s, where Hugo Grotius set it down in his *Apology for the Legitimate Government of Holland*.[82] This viewpoint also informed the second great era of States party rule, 1650-72, when their watchword was 'true freedom'.[83]

77 Israel, p. 465.
78 Israel, pp. 460, 456.
79 Israel, pp. 501–5.
80 Pieter De la Court, *The True Interest and Political Maxims, of the Republic of Holland*, trans. by John Campbell (London, 1746 [1662]), chap. 14 <http://oll.libertyfund.org/titles/court-the-true-interest-and-political-maxims-of-the-republic-of-holland> [accessed 15 October 2018].
81 Israel, p. 441.
82 Israel, p. 494.
83 Herbert Harvey Rowen, *John de Witt: Statesman of the 'True Freedom'* (Cambridge: Cambridge University Press, 2002).

Against this clear expression of provincial sovereignty, the Orangists put a more opaque theory of divided sovereignty. The provinces were not sovereign, but sovereignty was rather shared between them and the States General. There was also a greater role for the Stadholder, who became a quasi-monarch in their eyes.

The history of class rule in the Republic

Now that we have sketched the factions of the ruling class, we can divide the history of the Republic into periods according as one or the other party dominated affairs.

1: The years of the revolt, 1568-88. During this period, the structure of the new ruling class was in flux. Until his death in 1584, William the Silent was the head of the revolt. 1586-8 saw the Earl of Leicester as the Governor-General of the United Provinces, called in to secure support from England. He quickly aroused opposition, however, due to his centralizing tendencies and his support for radical Protestants. Oldenbarnevelt first rose to prominence opposing Leicester and promoted Maurice of Nassau to counter his power.[84]

2: Oldenbarnevelt's ascendancy, 1588-1618. For close to 30 years, Dutch politics were dominated by Oldenbarnevelt. During this era, the contours of the parties as we've described them took shape, but there was not outright hostility between the two factions. Their interests during this period were still mostly aligned: the religious issue was only slowly becoming critical, and as long as the war went on, the Stadholder had enough to do fighting the Spanish (and plenty of funds to reward clients and friends). By 1600, the core provinces were secure, and there was growing support for seeking peace with Spain. The best Oldenbarnevelt could achieve was the 12 Years Truce, beginning 1609.[85] The Spanish had insisted on abandonment of all colonial expansion by the Dutch, but the interests invested in the VOC were too powerful. All he could manage was to delay the establishment of a West Indian Company (WIC) for the duration of the truce.

During this time, the religious issue came to the fore, as we've already described, and Maurice of Nassau managed to position himself as the leader of the Counter-Remonstrant forces. When the issue came to a head in 1617-18, the States party and Oldenbarnevelt could not muster the support to withstand the Counter-Remonstrants. The opposition to them did not stem only from orthodox Calvinists and army interests headed by Maurice; Amsterdam ended up siding with the hardliners in

84 Israel, pp. 221–30.
85 Israel, pp. 404–6.

religion because the ruling merchants there could not forgive Oldenbarnevelt for sacrificing their colonial interests for a truce with Spain.[86]

3: The rule of Maurice of Nassau, 1618-25. The principal events connected to Maurice's years at the head of the state is Dutch involvement in the 30 Years' War and the resumption of hostilities with Spain after the truce expired in 1621. His takeover meant that a party extremely hostile to Spain and Catholicism was now in control, and Maurice sabotaged the talks to extend the truce.[87] This bit of partisanship backfired, as the Spanish dominated the battlefield in the first years of the war, until they had to divert troops to the Mantuan War in 1628. However, it did result in the renewed expansion of the Dutch army to counter the Spanish offensive. The WIC was finally established in 1621, but it was not successful as a trading company: it did achieve some success in privateering and conquest in the New World.[88] It was never able to maintain its monopoly on the American trade, however, and it had to loosen restrictions: in 1638, trade with Brazil and the Caribbean was opened to all shareholders and in 1648 to all Dutchmen on payment of a small fee.

4: The reigns of Frederick Henry and William II, 1625-1650. The rest of the period of war with Spain was not as partisan as the years of Maurice's rule, as the Stadholder balanced between Arminians and Counter-Remonstrants.[89] Nevertheless, was it not for William II's untimely death in 1650, there's no reason to suppose that the States party would have been able to mount a comeback.

5: The first Stadholderless Period, 1650-72. When William II died, the States of Holland were able to prevent the election of a new Stadholder. They and the States General assumed management of all affairs. This was the first period of sustained peace. Taxation had remained remarkably stable in real terms during the period 1588-1671, throughout the years of war with Spain,[90] but a government debt had been accumulated. However, the government in this period, under the leadership of Johan de Witt, made a real effort to reduce this debt,[91] limiting the number of people who drew an income as rentiers off government bonds. This meant that capitalists still had to seek opportunities for private investment of their funds, they could not simply rely on government bonds funded by taxation.

86 Israel, p. 434.
87 Israel, pp. 466, 472–73.
88 Vries and Woude, p. 399ff.
89 Israel, pp. 490–93.
90 Vries and Woude, p. 109.
91 Rowen, *John de Witt*, p. 62.

6: The reign of William III, 1672-1702. The period of undisputed rule by the States party came to an abrupt end in 1672. Economizing on the army had arguably left the Republic open to attack from the new would-be European hegemon, Louis XIV of France, and when the French attacked in 1672 and overran much of the Netherlands, William III used the opportunity provided by the crisis to seize power. He greatly expanded the army, raised taxes and expanded the government debt to fight the French in a struggle that only concluded in 1713 at the Peace of Utrecht. By this point, taxation had expanded enormously and was at a far higher level than in the surrounding countries and nearly double that in England.[92] William also oversaw a shift in the progressivity of taxation. Almost all taxes in the Republic up to that point had been regressive, that is to say, they were levied as excise taxes on everyday consumption goods. This meant that the impact of taxation on the upper income groups was minimized,[93] and since it is reasonable to assume that the higher a person's income, the more of that income will be saved and invested, the regressivity of Dutch taxation before William III allowed for a great deal of capital accumulation. But the new taxes levied by William were more progressive: excises on luxuries and various taxes on capital. The tax burden not only increased dramatically after William came to power, its incidence also shifted and became much more progressive.[94]

The dramatic increase in government bonds were also detrimental to continued economic expansion. It is true that the revolt and war against Spain had been financed by debt, but this earlier expansion had not crowded out private investment, and the government was slowly but surely reducing it.[95] Yet the enormous new public debt accumulated by William absorbed most of the capital in the country, sucking up resources that could have been invested in industry and trade. The capitalist classes in the 18th century became primarily holders of government bonds, whereas they had earlier invested their fortunes in agriculture, trade and industry.[96]

5. Conclusion

We have in this paper tried to show the explanatory power of libertarian class analysis. Class theory does not simply provide a key to understanding political history; the struggle between rulers and ruled, exploitation and liberty, can also, as Rothbard suggested, explain economic history.[97] We have tried to

92 Vries and Woude, p. 111.
93 Murray N. Rothbard, *Man, Economy, and State*, pp. 1182–83.
94 Vries and Woude, pp. 111–12, table 4.7.
95 Vries and Woude, p. 117, figure 4.2.
96 Vries and Woude, p. 592, table 11.26.
97 Murray N. Rothbard, 'Anatomy of the State', p. 86.

give a more detailed account of how the interactions between rulers and ruled and between the various factions within the ruling class can shape economic development. These groupings and conflicts are always motivated by ideologies. “The genuine history of mankind is the history of ideas,”[98] and we’ve tried to emphasize the active role that competing ideologies and ideas play in giving shape to political conflict and class rule.

The history of the Dutch Republic has been used to show the relevance of our theory for historical inquiry. We cannot a priori know what were the factors shaping events, but a good theory can tell us what the right questions to ask of the historical record are. The Golden Age of the Dutch Republic is, we find, explained by the ascendancy of a ruling class whose convictions and material interests both, for an extended period of time, favored economic and personal freedom. Blanqui’s judgment, quoted above, we therefore feel confident in making our own: whenever peace and liberty win out over strife and exploitation, the productive powers of a free society are unleashed and general prosperity ensues.

98 Ludwig v. Mises, *Theory and History*, 2007 reprint (Auburn, Al: Ludwig von Mises Institute, 2007), p. 187.