Financial and Economic Ties

The First Century

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WHEN the foreign associations of the United States in the late eighteenth and the nineteenth century are considered, it is customary to think first of the close American association with Great Britain. This is natural, for the British and the American people shared much in background and outlook that encouraged and sustained close ties. Even in a period of occasional discord and strained relations, a period that began in conflict and was marked once again, in 1812, by open war, Britain provided the Americans with their closest diplomatic associate. In trade too American tastes continued to reflect habits and attitudes carried over from or acquired during the colonial era. Other states, not least the Dutch and the French, imagined that the War of the American Revolution signaled more than the political detachment of the thirteen colonies. But to a large extent they were wrong, as both the Dutch and the French realized during the 1780's.[1]

Nevertheless, the Anglo-American association can easily be given exaggerated weight. In the first place, of course, there were important points about which the two peoples differed. Even after the War of 1812 there were many in America who considered another conflict imminent, and inevitable.[2] Such feelings found expression again during the American Civil War, when influential Britons, including the editors of the London *Times,* sided with the Confederacy and threatened to carry their antagonism toward the federal government into open conflict. At the level of interpersonal relations the persistence of discord between the two countries might suggest all the more strongly the basic closeness of the relationship.

But there is another area in which this natural tendency to think of the closeness of the United States and Britain is misleading. Although willing to trade with the Americans, to the mutual benefit of both economies, and willing also to associate diplomatically with the Americans, although often as a superior rather than an equal partner, the British were slow to develop an appetite for investing in the United States. In three critical phases of the first century of the American Republic—during the War of the American Revolution, immediately thereafter during the peacetime years of the Confederation government and the early years of the new federal government of 1788, and during the American Civil War—foreign credit was required in order to sustain the financial stability of the American government. Of course, we should not expect the British to have helped finance the American Revolution, even if acts of such a nature were not wholly unheard of in that era.[3] But we might reasonably expect a close associate to have assisted the young republic in gaining financial stability, particularly by 1790, when the war was no longer fresh and there was an active pro-British faction in the American government. And we might all the more readily expect the British to have chosen to support the Union during the American Civil War. On both occasions some investment capital made its way from Britain to the United States, but slowly and in comparatively small amounts.

A similar surprise awaits us when we consider British investment in the economic rather than political infrastructure of the United States. Desperately in need of investment capital, the American econoiny customarily offered higher yields than were available in Europe, and seemed, in most judgments of the day, to have a prosperous future. (Europeans were much impressed with the land area and rate of population growth of the United States.) British investors were clearly willing to invest abroad. Beginning in the 1790's they supported massive loans for the Austrian monarchy,[4] indeed the largest loans to my knowledge ever (to that point) extendeel to a foreign power. After the Napoleonic wars the British shifted more and more attention toward investments in the economic development of foreign territories until, by the latter decades of the nineteenth century, many Britons were worried about the ramifications of massive and continuous capital exports.

When public and private authorities in the United States sought capital for social overhead improvements and venture opportunities, they customarily looked to London as well as to other foreign capital markets. But here too the British responded slowly, and with amounts considerably less than would be expected on grounds of the otherwise close relation between these two peoples.

The fact of the matter is that in this one area at least there was no fundamental harmony between the two peoples. It is not that they were at odds so much as that they were detached from one another. In government borrowing and in capital investment for economic development the Americans had much more in common with another people, another people who showed time and again that in their judgment the United States offered an attractive financial climate. These people were the Dutch. I propose to examine the financial associations of the Americans and the Dutch, to try to discover why in finance and economic development the closest working relationship existed between these two peoples.

In the realm of public finance these contacts may be traced to the darkest period of the American rebellion against Britain. To finance a war fought at least in part over the very issue of taxation, the Americans sought to avoid any overt assessment of war costs. Drawing on extensive experience with fiat money, an experience acquired as a result of the perpetual shortage of specie in the colonial era, the Confederation Congress sought first to finance the war by issuing paper currency. From 1775 through 1783 paper money provided more than half (57 percent) of the constant dollar income of the new government—that is, taking into account the real value of this paper at the time of its issue.[5] Revenues from taxes, in contrast, brought in no more than 9 percent.

But, of course, the utility of fiat money financing was limited, in the first place because of the quickly declining value of money issued in excessive quantities, and second because the continental dollar could not be used directly to acquire war supplies from abroad. Foreign loans and credits provided only 12 percent of the specie value of wartime revenues. But their impact was greater than this proportion suggests because the foreign loans contributed neither to the hyperinflation of the continental currency nor to the unfavorable international balance of payments the Americans faced.

The earliest financial assistance obtained abroad came from France and Spain, allies of the United States in war against Britain. But as the costs of that conflict mounted, both allies found themselves forced to curtail support to the Americans. The French, who dominated this alliance, turned then to the Amsterdam capital market in search of additional credits. The fr5 million loan opened in November 1781 carried with it sufficient guarantees to persuade investors to come forth. The guarantees, however, were provided by France and the Dutch States General rather than by the Americans, so that it is difficult to see how this loan constituted any sort of success for the Americans among Dutch lenders. Certainly the political climate in the Dutch republic tended to favor the Americans; there was considerable good will toward the American cause and antagonism toward Britain, which helps explain the unusual guarantee extended by the States General.

Nevertheless, in 1782 the American representative in the Dutch republic, John Adams, opened a fr3 million loan (later increased to fr5 million) on the credit of the United States alone. The Dutch lacked detailed information about the Americans' financial position, but they knew enough to respond cautiously to this loan. Although opened in 1782 it was not fully subscribed until 1786. In the meantime another loan was floated (for fra million in 1784) and a third planned (for fri million in 1787).[6] The financial association had been established, even though Dutch credits delivered directly and indirectly to the Americans played only a secondary role in war finance.

The era during which Dutch credits were of particular importance covers the first decade of peace, from 1784 through 1794. In those years the United States had two successive governments, neither of which had established a working taxation apparatus that delivered enough domestic revenues to sustain even the minimal functions of peacetime government. The first of those governments, the Confederation, lacked the authority to force the states to meet the levies assessed them, so that its weakness was a weakness in fundamental law. That problem was corrected in the constitution drafted in 1787 and ratified in 1788. The new law provided Congress with adequate authority to tax. But, of course, the abstract authority could not quickly be transformed into actual tax revenues. In fact, the new federal government (in the American context, of course, "federal" now means centralized; then the term meant "relating to a compact") acted with all deliberation to exercise its financial prerogatives. Not until the middle 1790's were taxes collected in amounts sufficient to meet the ordinary expenditures of government.

In the interim the Americans floated a number of loans in Amsterdam (and one in Antwerp), raising a total of fr32.5 million, of which fr22,450,000 was supplied the new federal government from Amsterdam between 1788 and 1794. The importance of these credits can be understood properly only when they are compared to other revenue sources (Table 1).[7] During the organizational years of the new government, 1789 through 1791, foreign loan receipts (of which Dutch loans formed the largest part) provided some 43 percent of total central government revenues, and in 1792, 35 percent. For the entire period of the loans, through 1794, foreign credits provided 26 percent of central government revenues. The new American government depended in its early years on Dutch loans. Much is often made of the importance of foreign credits during the Confederation, but this later era of dependence is seldom recognized. In fact, Alexander Hamilton turned to Dutch credit as an essential, if largely unavowed, element of his plan for organizing the finances of the new government. As I have said elsewhere, "Hamilton's was a sound program that dealt cleverly and fairly with conflicting views in the United States about the federal and state debts and about use of the revenue authority theoretically available to Congress under the Constitution. But it could

TABLE I

Foreign Loans and Central Government Revenues and Expenditures, 1789-94 (in thousands of dollars)

	4 March 1789-31 Dec. 1791	1792	'793	1794	Totals
Revenues					
Ordinary revenues	4.419	3.670	4.653	5.432	18,174
Domestic and foreign loan revenues	5-791	5,071	1,068	4,609	16,539
Foreign loan revenues (by estimated date of availability for disbursement)	(4,410)	(3.04a)	(386)	(1.146)	(8,984)
Total revenues	10,210	8,741	5.721	10,041	34.713

not have succeeded on the strength of the resources available within the United States alone."[8]

If the Americans depended on foreign credit to a degree unprecedented among other governments of the day, how were they able, given the weakness of their political and financial position, to persuade the Dutch to lend so much? Although not well informed about American financial and political issues, and before 1786 lacking even much fundamental information, there were several things that attracted Dutch bankers and investors to the American loans.[9] In the first place, many of the Dutch found the American experiment in representative government admirable, and felt also a sense of community with another people who had fought for a republican style of government. On many counts there was not much similarity between the federal republic of 1788 and thereafter and the Dutch republic. But Dutch attitudes toward the Americans were formed in the era of the Confederation, a government very similar in nature to the Union of Utrecht and possessed, although in more glaring form, of some of the same weaknesses as the Dutch republic.

That the American loans were a factional matter became clear to Adams in his first efforts to line up an issuing house. Orangist bankers were not interested, perhaps because they shared little of this sympathetic attitude, and perhaps also because the American government did not meet even their rather undemanding standards for debtor states. Adams finally succeeded with a group of firms, W. & J. Willink, N. & J. Van Staphorst, and De la Lande & Fynje, that had little standing in the community of firms organizing foreign government loans. Van Staphorst and De la Lande & Fynje were partisans who found the American loan congenial on political grounds. Willink, in contrast, was apolitical. Like their associates, however, this firm's partners could presumably see certain opportunities in the American loan. It offered a chance to enter into a privileged and lucrative field of banking, that in which loans were organized for foreign powers usually with generous commissions for the issuing house. In the customs of the Amsterdam market, firms tended to acquire control over the loans issued by one or another borrowing power. That held true here, as Van Staphorst and Willink (De la Lande & Fynje suspended payments in 1785) directed other issues after 1782. Commissions on these loans were distributed among several parties, but the bankers got the largest share of what were, especially in the early U.S. loans, generous commissions. In short, the negotiation of these credits offered Van Staphorst and Willink a chance to expand their business and profits. And they did what they could to preserve this association. When Congress was forced to issue new loans in order to meet service payments on earlier credits, something that amounted implicitly to insolvency, the bankers were able to withhold knowledge of this from the investing public.

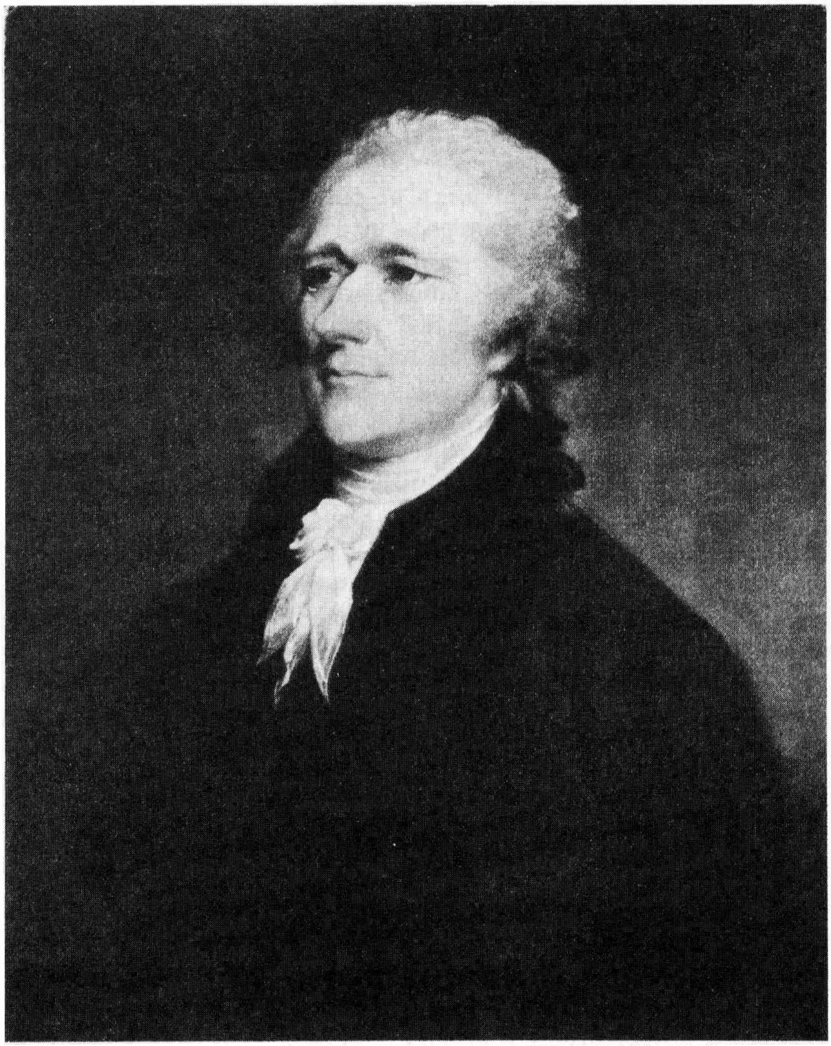
Factional attitudes and business opportunity will help us understand how the Americans found the way to issue loans, but they will not explain why Dutch investors lent so much. To grasp that we must first recognize that the American issues offered yields somewhat higher than those available from most competing loans. The difference, about 1 percent, will not strike us as imposing, but in the terms of the day it constituted a 25 percent premium (5 as against 4 percent) over what the most creditworthy foreign governments paid in loans floated in Amsterdam. The advantage was still greater when compared to yields offered in Dutch government loans. Investors obviously judged that this was a sufficient risk premium. On some occasions, when they responded eagerly rather than cautiously to new issues, they evidently deemed the yield on American issues to be more than sufficient. But it is true also that the Americans wanted to borrow large sums when Europe was at peace and when, by coincidence, the refinancing of old loans and fresh loans to European governments required less capital than was available in Amsterdam to be lent.

Still there was considerable hesitation on the part of investors, as the slow subscription of the 1782 loan demonstrates. What finally persuaded them was, in my judgment, the punctuality with which the Americans serviced their loans. Above all else Dutch investors evaluated debtors according to the Standard of punctuality. Therefore when Van Staphorst and Willink took sufficient care to arrange the payment of interest, even to the point of borrowing more to do so, debtors became content with the risks involved in these loans. My explanation of this phenomenon differs somewhat from Professor van Winter's, but the conclusion we reach is identical: the Dutch lent to the Americans, and Dutch bankers organized the American loans, chiefly because these loans seemed to make good business sense. And in retrospect we can see that they did.

From the first there were overtones in the Dutch-American financial relationship of a community of outlook, especially on certain political issues. But most people did not lend money then any more than they do so now for such reasons. The financial association developed because it was mutually advantageous, and because each party in the relationship recognized, and was prepared to seize, such an advantage. The commercial relationship that the Dutch had hoped would develop with the Americans had not emerged. But a close financial relationship had developed, a financial relationship with its own economic implications.

To see these economic implications we should gaze in two directions, first toward the Dutch republic and then toward the United States. In the Netherlands these loans contributed significantly to the financial sector of a broadly diversified economy. Together with the Russians, who borrowed to fight the Turks and to refinance earlier loans, the Americans raised immense sums on the Amsterdam market in the late 1780's and early 1790's, at a time when the traditional leading borrowers—Britain and France—were largely out of the market for credit. This thriving financial sector reflected an economy seeking to reorient itself away from types of activity, especially the staple market trade and textile processing, at which the Dutch were no longer competitive. It has been customary to doubt whether the growth of the financial sector compensated for shrinkage elsewhere, and especially to wonder whether employment opportunities held up as the economy shifted orientation.[10] But an examination of the best available percapita income estimates reveals that the Dutch remained the wealthiest people on the European continent and, if not also the wealthiest in the world, second and then only slightly to the British. How was such a position sustained in an economy putatively undergoing decline?

In my judgment, part of the answer is furnished by Peter Klein's recently expressed doubt that the "rise of the financial sector would have decreased employment opportunities."[11] And part is furnished by the realization that our measurements of Dutch economic trends have tended too often to focus on testing whether formerly prosperous sectors continued to thrive rather than testing how the economy as a whole performed. Other types of commerce, some manufacturing, but especially the large and thriving realm of commercial and financial services, continued to prosper (although not during the revolutionary



Alexander Hamilton, by John Trumbull (1756-1843)
(Courtesy of the National Gallery of Art, Washington, D.C.)

and Napoleonic wars). In terms of a national income measurement, they compensated for deterioration elsewhere, and sustained the republic's position as a pocket of unusual prosperity.[12]

After new American loans ceased to be issued, the old loans still required financial services. They were not fully paid off until 1809. In the meantime they continued to make an *economic* contribution, and they also preserved this part of Dutch assets from the depredations of the period of French domination of the Dutch Netherlands.

Turning our gaze now to the West, we can see that these loans had another set of economic implications as well. Having become accustomed to the idea of U.S. issues on the capital market, and having been persuaded of the reliability of the United States as a debtor, Dutch investors turned to consider first other forms of investment in American government securities and then non-government investments also. In buying domestic government securities, the Dutch sought the extraordinary yields available from heavily depreciated paper. By buying it, however, they helped drive its price back toward par. Thus Hamilton's program, which sought to re-establish the domestic credit of the United States, was aided substantially by Dutch demand for .these securities.[13]

This paper, which was called "liquidated debt"—a misleading term that did no harm to its reception among European investors—was bought chiefly in the United States by a circle of particularly enterprising Amsterdam banking and brokerage houses, among them Van Staphorst and Willink, but also the firm of Pieter Stadnitski. Stadnitski had earlier helped pioneer the single-unit investment trust, using in that case French royal securities. Beginning in 1787 he set out to apply this format to the market for American securities, offering Dutch investors the chance to buy into a trust holding as its only asset a bloc of this domestic debt paper. Between 1787 and 1793 twenty-eight trusts were formed by several houses; through them investors acquired between $7 and $10 million in these securities. As a result of these and other purchases, by 1803 the Dutch held a total of $13.1 million, some 22 percent of the total domestic debt of the United States. Besides contributing in an important way to the success of Hamilton's plan for financial stabilization, these purchases had the additional effect of shifting large amounts of capital into American hands. Whereas the Americans had formerly paid a premium for European goods, a premium expressed in a low dollar value against European currencies, this massive shift of investment capital created a temporary dollar premium.[14] It also provided capital to an economy previously held back by a shortage of investment capital, and at the same time strengthened the monetary position of the United States.

The Dutch also invested directly in the American economic infrastructure. Again they followed the lead of Pieter Stadnitski, who saw that as domestic debt reached par other backing would have to be found for new investment trusts. In association with the Parisian-Swiss banker Etienne Clavière and an Arasterdam associate, Théophile Cazenove, Stadnitski dispatched J.-P. Brissot de Warville to the United States to investigate unsettled land. As this interest became more serious, Cazenove himself was sent to the United States as resident agent for what was now a circle of Amsterdam houses: Stadnitski, Van Staphorst, P. & C. Van Eeghen, and Ten Cate & Vollenhoven, soon to include as well the Willinks and R. J. Schimmelpenninck as investor, attorney, and adviser.[15] Stadnitski again fashioned single-unit trusts which in 1793 offered Dutch investors the opportunity to buy shares in two one-million-acre land development schemes that would take advantage of rapid population growth and westward movement in the United States.

At the same time this group of houses bought vast tracts in upstate New York and Pennsylvania—the famous Holland Land Company and its purchase. There are interesting stories still to be told about these land development schemes, but here it is necessary to synthesize their contribution to American economic development. Like Dutch purchases of American domestic debt, the land transactions provided Americans with more of the wherewithal to achieve some of the optimistic economic projects under consideration in the 1790's. Once they had become large-scale landowners, these firms found additional investments would be necessary in order to attract settlers and provide them with a chance of prospering. Over the years, until they sold out, more money was put into these tracts. This story is usually told from the perspective of the Holland Land Company papers. Thus it accentuates the difficulties the Dutch had in making any profit out of the enterprise, and how they came to rue Stadnitski's enthusiasm for innovative financial ventures. It might also be told from the perspective of these territories themselves, in which case the history of the company might be seen as a history of ineffective management and of the tardy seizure of development opportunities. How much did absentee company ownership hold back the growth of a region that might, under local and individual landownership, have been more adept at taking advantage of opportunities before it?

On the one hand, then, some Dutch firms and rentiers invested heavily in American land in the expectation that population growth would bring it into demand. When the land did not sell quickly they found themselves obliged to invest further in its development, and to contribute to such allied projects as the Erie Canal, which promised to increase the value of this land and to assist the economic development of the region. On the other hand, these and other Dutch investors became interested during the 1790's also in projects intended to improve transportation in the United States and in specific endeavors such as the Society for Establishing Useful Manufactures (S.U.M.), which was originally an industrial undertaking but became mired in the speculative ambitions of some of its participants. In this way capital flowed into the United States for the Union Canal, the Santee River Company, the James River Canal Company, the Bank of the United States, the Bank of North America, the real estate development of Washington, D.C., the land purchases and speculations of other Dutch firms, and many other ventures.

What had been for a time a pointedly focused path of investment fragmented. And this fragmentation continued, after a hiatus during the dismal business conjuncture in the Dutch Netherlands of 1809 to 1814. In the interim, in 1804, the Dutch firms of Hope & Co., Willink, and R. & Th. de Smeth opened a loan in Amsterdam to provide the United States with part of what it owed France for the purchase of the Louisiana Territory.[16] But the federal government did not for a long time seek money abroad, so that after the 1790's, investors had to search for opportunities across a broad front. After the Napoleonic wars the fragmentation continued, now as individual American states sought credit to finance development projects. Once again premium yields proved attractive to Dutch and other European investors, but there was considerable exaggeration in many of these projects. As Professor van Winter discovered, the Americans were free to propose whatever they wished, and many ventures partook of the wildly speculative nature of early American land transactions.[17]

Altogether, foreign investments, in which the Dutch played now a significant but no longer a leading role, were concentrated in the years 1825-40, "when, directly or indirectly, they provided more than ninety percent of the funds invested" in canal-building projects.[18] Although Dutch investment and merchant banking seem now to have become relatively passive, it is still the case that van Winter's brief epilogue remains the Standard source on Dutch participation in these ventures. In the United States, state and local history has recently engaged more attention from academic historians, but many topics remain to be explored.

Nevertheless, there is no doubt that the British took an increasingly active role in economic development projects, beginning especially with London's participation in financing the Louisiana Purchase and the interest that the firm of Francis Baring & Co. took in American opportunities. More and more frequently in the 182o's and 1830's Americans turned to the London rather than the Amsterdam market. Large sums moved still from the Kingdom of the Netherlands toward the United States, although now sometimes through the intermediary of non-Dutch firms. For the sake of this essay, however, it is enough to call attention to these contacts, and to the continuing lack of detailed research on many of their aspects.[19]

But one episode in the Dutch-American financial association remains to be noticed. Once again, in a time of crisis, it was Dutch credit that led the way and provided essential assistance for a program of financial stabilization. On this occasion it was not a crisis of building but one of preserving the Union.

When the American Civil War began, neither side was prepared. The South hoped to win before the superior manpower and resources of the Union could be brought to bear, and perhaps also with foreign assistance. In 1861, however, neither combatant could count on taxation as the chief means to finance the conflict, and both turned instead to paper currency finance. This was the kind of taxation Benjamin Franklin had had in mind when he explained about the currency of the Revolutionary era that it "pays and clothes troops, and provides victuals and ammunition, and when we are obliged to issue a quantity excessive, it pays itself off by depreciation."[20]

The Union effort to finance the Civil War with domestic credit began in July 1861, when Salmon P. Chase, newly appointed Secretary of the Treasury, anticipated extraordinary expenditures of no less than $217,169,000 in a total budget just short of f320,000,000.[21] Before the end of the year, Chase found this estimate too optimistic, began a shift away from interest-bearing loans toward demand notes, and allowed, on December 30, the suspension of payments in specie by state banks. The Union government found itself in the awkward position of having to fight a costly war that was going badly at the head of a public many parts of which had little enthusiasm for the conflict. By January 1863, Congress had authorized the issue of $450 million in greenbacks, plus additional sums in fractional currency and interest-bearing paper that also circulated as legal tender.[22] Measured by gold, the greenbacks already in circulation had fallen to 69 percent of face value, and seemed likely to fall further as long as the Union's fortunes in the conflict continued to wane. And as James S. Pike, the American representative in The Hague, reported to Secretary of State William H. Seward, European distrust of American financial policies moved in harmony with the fall of prices on U.S. securities.[23]

What disturbed Europeans was the method Chase had adopted to finance the war. From the conservative financial perspective of mid-century, a paper currency means of providing revenues brought to mind such unsettling experiences as French and Austrian experiments during the revolutionary and Napoleonic wars. There was some concern with the slavery issue but, as Pike reported in February 1863, "the interest and solicitude in regard to our war is now turned almost exclusively upon its financial aspect. The opinion has become very general—almost universal—that it must soon terminate unless brought within more manageable compass and placed on a broader basis of taxation."[24]

But merely two weeks later, on February 25, Pike reported: "The money men of Holland have begun to buy our government securities."[25] It was their opinion that federal finances had bottomed out, and that Chase's new tax program would reverse the prior trend. In fact, there had been no dramatic shift in Union tax policy, but proceeds from existing levies, especially the income tax of 1861, did increase during the war. Once established, the hopeful attitude toward Union creditworthiness prevailed, and prices on American securities on the Amsterdam market began to rise with purchases, a trend duplicated in Frankfurt. For the rest of the winter, throughout the spring, and into the summer of 1863, Pike continued to report rising prices and purchases. By sümmer the Europeans believed also that the Union would win, since, with the battles of Gettysburg and Vicksburg, its superior resources were telling. But we should notice that they began to buy before the prospect of a Union victory was evident, before the Emancipation Proclamation, and certainly before it could be said that federal finances were secure.

Why then did the Dutch begin to buy securities which had long been available to them? On February 18 Pike reported to Seward that a cotton shortage was not developing in Europe and that European trade appeared to be unaffected by American events.[26] The South's strategy and hopes were failing. It was not the strength of the Union but the weakness of the Union's opponent that, judging from Pike's insights, reoriented Dutch thinking about federal securities. Later, early in March, Pike found an opportunity to comment further on this point: "The Dutch capitalists, unlike many of the English, have no prejudices against us, and have larger and more liberal views in regard to our resources, and belief in our ability as well as disposition to pay."[27]

It would be unrealistic to argue that Dutch, or even Dutch and German, investment in federal securities turned the tide of the war and altered the history of American political geography. Nevertheless, this reversal of investors' attitudes toward federal government securities inaugurated a series of foreign purchases which by March 1865 reached, according to Matthew Simon's estimate, £60 to £80 million.[28] And what had begun during the war continued thereafter, for European financial interest in both government securities and economic development projects grew sharply af ter 1865.[29] In this case, however, the Dutch lead in exploiting financial opportunities in the United States was held only briefly. Before the end of the war Britain was again dominant.

During three periods in the early history of the American republic, Dutch investments figured importantly in preserving the financial stability of this republic. Much might be made, especially in the celebration of Dutch-American ties, of ideological or political reasons for these close financial contacts. But I believe, with Professor van Winter, that it is easy to exaggerate the role of partisanship and political sympathy. It is rather in Pike's insight that we are to find the more persuasive explanation for these actions. In language reminiscent of William Short, who in an earlier day had reported to Alexander Hamilton about the attitudes and intentions of Dutch investors and bankers, Pike noticed that "Dutch capitalists, unlike many of the English, have no prejudice against us." Enlarging on this, what Pike detected was that the Dutch calculated their interests coolly. They invested in the United States in 1863 in part because they were familiar with it from earlier exposures, but in the final analysis they invested once again because they expected to make a pront. And they invested when they did because, in their calculations, federal credit seemed to have bottomed out. Eighty years earlier Pieter Stadnitski, grandson of an immigrant from Poland, had detected a taste among the Dutch for getting into new ventures earlier than their rivals. Exploiting that insight had enabled him to make his for tune. Among investors, apparently, this preference had not changed.

Throughout the period we have discussed, from the 1770's to the 1860's, financial contacts led economic contacts in the association of these two peoples. For the Dutch the financial contacts remained pre-eminent. Although at times they invested readily enough in projects for economic development of the American republic, it was chiefly financial returns that came forth from these contacts. The American market did not become in any sense a preserve of the Dutch, and in internal American development the Dutch remained largely silent rather than active partners. For the Americans, on the other hand, Dutch capital and credit had both financial and economie consequences. As we have seen, it was above all timely in its appearance, so that on three occasions governments in serious financial difficulties found those difficulties eased not so much by its magnitude as by its availability when no other recourse offered itself. This role is easily detected, for it depends on little more than the examination of American budgetary history. But the contribution of Dutch investments to American economic development remains difficult to specify. Clearly those investments contributed something at several different times to specific infrastructural improvements. Clearly also they redressed a negative trade balance, something especially noticeable around 1790 but evident also in the 1830's. On each of the three occasions they also contributed to monetary stabilization, a consequence with both financial and economic ramifications. And, finally, they also served in a general way to provide resources for economic development. But it is still not possible to establish the weight that should be attached to the role of foreign, or Dutch, investment in the economic prosperity of the United States in this era.

NOTES

The Standard source on failed commercial expectations, as on much else in the history of the Dutch-American association from the 1770's to 1840, is Pieter J. van Winter, *American Finance and Dutch Investment, 1780-1805, with an Epilogue to 1840* (trans.; 2 vols.; New York, 1977). This is a revised version of *Het Aandeel van den Amsterdamschen Handel aan den Opbouw van het Amerikaansche Gemeenebest* (2 vols.; The Hague, 1927-33). For the period beginning in 1790 it is possible to follow Dutch-American trade, and compare it with Anglo-American trade, in *Statistical Tables Exhibiting the Commerce of the United States with European Countries from 1790 to 1890* (Washington, D.C., 1893), pp. xv, xviii, xxxiii, and xliii.

Julius Rubin, "An Innovating Public Improvement: The Erie Canal," in Carter Goodrich, ed., *Canals and American Economic Development* (New York, 1961), pp. 63-64, discussing the views of Vice-President Daniel Tompkins, who sought in 1817 to block passage of a bill providing financing (in part through loans to be raised abroad) for the Erie Canal. Tompkins took the view that "England will never forgive us, for our victories," so that New York should arm for war rather than help finance transportation improvements. This attitude so angered the Federalist chancellor James Kent, otherwise an opponent of the bill pending, that Kent overrode Tompkins' objections, saying: "If we must have war, or have a canal, I am in favour of the canal."

Consider, for example, the story Marten G. Buist recounts in so interesting a manner about the mutual association of Britain, France, and Spain to secure and distribute Mexican silver in Europe during the Napoleonic wars, in *At Spes Non Fracta: Hope ir Co., 1770-1815* (The Hague, 1974), pp. 284-380.

These loans are discussed by S. R. Cope, "The History of Boyd, Benfield & Co.: A Study in Merchant Banking in the Last Decade of the Eighteenth Century" (Ph.D. dissertation, University of London, 1947), and Karl F. Helleiner, *The Imperial Loans: A Study in Einancial and Diplomatic History* (Oxford, 1965).

Davis Rich Dewey, *Financial History of the United States* (12Ü1 ed.; New York, 1968 reprint), p. 35, provides these figures:

paper money issues	§37,800,000
domestic loans	11,585,506
foreign loans	7,830,517
tax revenues	5,795,000
miscellaneous	2,852,802
	$65,863,825

6 See James C. Riley, "Foreign Credit and Fiscal Stability: Dutch Investment in the United States, 1781-1794," *Journal of American History,* LXV (December 1978), 654-78, for a summary of these matters, and van Winter, *American Finance,* for the authoritative treatment in detail. Also E. James Ferguson, *The Power of the Purse* (Chapel HilI, N.C., 1961).

7 *Report of the Secrelary of the Treasury on the State of the Finances for the Year 1867* (Washington, D.C., 1868), pp. 356-59.

8 Riley, "Foreign Credit," p. 678.

9 Pieter Stadnitski, a merchant and broker, investigated opportunities in America, and reported optimistically in two pamphlets, *Ophelderend bericht wegens het fonds, genaamd Liquidated Debt, of vereffende schulden, ten laste de Vereenigde Staaten . . .* and *Omtrent de natuur en soliditeit van welk fonds de directeur Pieter Stadnitski een omstandig bericht gegeeven heeft,* both lacking place or date of publication. I believe the first appeared in 1787.

10 The fullest and most recent discussions of these matters appear in Johan de Vries, *De Economische Achteruitgang der Republiek in de Achttiende Eeuw* (2nd ed.; Leiden, 1968), *passim;* A. M. van der Woude, "Demografische Ontwikkeling van de Noordelijke Nederlanden, 1500-1800," in *Algemene Geschiedenis der Nederlanden,* ed. D. P. Blok et al. (Haarlem, 1980), V and J. A. Faber, "De Noordelijke Nederlanden van 1480 tot 1780: Structuren en Beweging," in *ibid.*, V, 197-249.

11 P. W. Klein, "The Dutch Regents and the Changes of the Economic Bases of Their Power in the 17th and 18th Century," an unpublished paper given at the Istituto Internazionale di Storia Economica in Prato, April 21, 1980, p. 3.

12 See my "The Dutch Economy after 1650: Decline or Growth?," forthcoming in the *Journal of European Economic History.*

13 Riley, "Foreign Credit," pp. 671-77.

14 Trade flows may be followed in Douglass C. North, "The United States Balance of Payments, 1790-1860," in *Trends in the American Economy in the Nineteenth Century* (Princeton, N.J., 1960), pp. 576-79, 587-601. Some of North's estimates can now be updated with data on flows between the United States and the Dutch Netherlands.

15 In addition to van Winter, *American Finance,* see Paul D. Evans, *The Holland Land Company* (Buffalo, N.Y., 1924), and, among published documents, "The Holland Land Company and Canal Construction in Western New York . . . ," *Buffalo Historical Society Publications,* XIV (1910), 3-185.

16 Van Winter, *American Finance,* II, 923 ff.; van Winter, "Louisiana Gekocht en Betaald," *Bijdragen en Mededelingen van het Historisch*

Genootschap, LXXV (1961), 37-55; and van Winter, "De Verkoop van Louisiana," *Tijdschrift voor Geschiedenis,* XLVII (1932), 41-61. Slightly more than half of the financing for the Louisiana Purchase was arranged in London, although the Dutch bought into that also.

17 Van Winter, *American Finance,* II, 940-93, and Harvey H. Segal, "Cycles of Canal Construction," in Goodrich, ed., *Canals and American Economic Development,* pp. 179-81, 186-92.

18 Segal, "Cycles," p. 180.

19 However, see Reginald C. McGrane, *Foreign Bondholders and American State Debts* (New York, 1935), pp. 10-11, 31-34, 151, 171-75, 185-86, on Dutch interests in the United States during the 1830's and 1840's, and *passim* on foreign interests in general; and B. U. Ratchford, *American State Debts* (Durham, N.C., 1941), pp. 92-95.

20 Quoted by Joseph Albert Ernst, "Currency in the Era of the American Revolution: A History of Colonial Paper Money Practices and British Monetary Policies, 1764-1781" (Ph.D. dissertation, University of Wisconsin, 1962), p. 398.

21 Dewey, *Financial History,* p. 276.

22 *Ibid.,* pp. 288-89.

23 I have consulted the Pike-Seward correspondence of December 1862 through July 1863 reproduced in U.S. Department of State, *Papers Relating to Foreign Affairs of the United States,* Diplomatic Correspondence, 1863 (Washington, D.C., 1864), II, 878-97.

24 *Ibid.,* II, 884.

25 *Ibid.,* II, 886.

26 *Ibid.,* II, 885-86.

27 *Ibid.,* II, 888.

28 Matthew Simon, "Cyclical Fluctuations and the International Capital Movements of the United States, 1865-1897" (Ph.D. dissertation, Columbia University, 1955), I, 88, and II, 684-87.

29 *Ibid.,* I, 122-23, 127

An Act without Peer

The Marshall Plan in American-Dutch Relations

E. H. VAN DER BEUGEL

On june 5, 1947, during a commencement speech at Harvard University, Secretary of State George Marshall launched the European Recovery Program, rightly and better known as the Marshall Plan.

On April 13, 1948, President Truman signed the Foreign Assistance Act, the legal embodiment of the Marshall Plan.[1]

On April 20, 1948, *The Economist* wrote:

> This week it is fitting that the people o£ Western Europe should renew their capacity for wonder, so that they can return to the U.S. a gratitude in some way commensurate with the act they are about to receive. For a day or two, the Marshall Plan must be retrieved from the realm of normal day-to-day developments in international afïairs and be seen for what it is —an act without peer in history.

I will deal with my subject in three parts.

I. The political framework in which this act was conceived, with special emphasis on the American perspective.

II. The impact of the Marshall Plan on the process of European cooperation.

III. The impact of the Plan on the Netherlands, on American-Dutch relations, and some aspects of the role of the Netherlands in the execution of the Plan.

I

The attack on Pearl Harbor in December 1941 terminated 150 years of American isolationism. The future of the United States became inextricably bound with every part of the globe. Isolationism