

Taxing the staff of life: the Dutch bread tax, 1574-1855

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From the early days of the Revolt, Holland and the other provinces of the Dutch Republic levied a tax on bread. It grew to become the single largest source of tax revenue and it continued to be levied, despite heavy criticism, for nearly three centuries. This paper focuses on the first and final centuries of its history. It begins by asking why the Republic's provinces turned to this tax, raising it to a level that greatly increased the price of bread. I apply "optimal tax" theory to the design of this tax. The paper then turns to the late-eighteenth century "Enlightenment" criticisms of this peculiar fiscal institution, and attempts to measure the consequences for the Dutch economy when the bread tax was abolished in 1855. In both parts of the paper, I will attempt to reveal the interaction of consumer behavior with fiscal policy.

