

Summary

For the sake of fairness

The struggle for the implementation of a Dutch income tax

For the sake of fairness describes the political debates concerning the implementation of an income tax in the Netherlands in the 19th century. The question whether or not to implement an income tax was to remain a central subject in Dutch politics during the second half of the century: the first income tax bills were proposed to parliament in the 1840s while the final implementation had to wait until 1893.

In the historiography on this period commentary on these fifty years of discussion is plentiful. Yet, no historian has answered the question why it took so long to bring about an income tax in the Netherlands. The answer to this question cannot be found in an analysis of fiscal or political argumentation proper, but rather in the prevailing political culture and styles of the period.

At the end of the Napoleonic Wars the Kingdom of the Netherlands was formed and Willem I was installed as king. He ruled under a constitution, assisted by his personal ministers. Members of parliament had hardly any influence and were chosen indirectly by a small group of rich male civilians. Franchise was based on the sum paid in direct taxes. When Belgium seceded itself from the Netherlands in 1830, the king accepted that fact only nine years later. For nine years large amounts of money were spent on keeping the bordertroops on alert. When the king finally accepted Belgium's independence, a new constitution was needed. The king abdicated and his son Willem II succeeded to the throne. Politics became slightly more public, while parliament and ministers insisted on more rights and a larger share in responsibility. For the first time state finances were made public and the result was to shock the nation. It turned out that the abdicated king had left a national debt of over one billion guilders and the burden of paying dues to the holders of government stocks consumed half the annual budget. State bankruptcy was considered inevitable and many people expressed grave concerns. When Great Britain imposed an income tax in 1842, many Dutch politicians and writers on the subject believed this to be the ultimate solution.

There already existed a system of direct taxation in the Netherlands, encompassing taxes on land, luxuries and businesses. But the majority of public revenue came from excise duties. The burden these duties placed on the necessities of life caused widespread protests, especially in times of social and economic hardship. The 1840s and 50s were difficult times, therefore an increase of these duties to relieve the state

of government finances was thought impossible: either for reasons of pity or the fear of revolution. Hence a proposal for a kind of income tax was made, but the minister responsible was criticized to such an extent that he resigned. His successor had to be shrewder and he gave parliament the choice between a tax on possessions and a 'voluntary' loan to the state at very low interest. After a short period of great political turmoil, parliament opted for the loan, thereby sparing the treasury for the moment.

The waves of revolutionary unrest that shook Europe in 1848 also made their impact felt on the Netherlands. After some minor riots in Amsterdam and The Hague King Willem II gave in to demands for a more enlightened, liberal constitution. As there were still no political parties, the new constitution was to be the work of one man, namely J.R. Thorbecke. His constitution of 1848 implied direct elections, though still on the basis of a limited group of enfranchised citizens, two houses of Parliament, responsible ministers, and the restriction of the monarchy to a more ceremonial role. The budget from now on was to be controlled by parliament. Another liberal became head of the department of Finance and he tried to raise direct taxes and lower excise duties. Three times he proposed a combination of these measures, each time including a form of income tax. Parliamentary opposition ensured his failure on all three occasions. There were simply not enough liberals in parliament and the liberal government finally fell.

The liberal high tide of 1848 and the years after were followed by a conservative reaction in the fifties, led by the new king, Willem III. The conservative governments did not want to raise direct taxes. Furthermore they managed to lower a number of heavy excise duties. These measures were made possible by a new source of state revenue: the huge sums of money flowing into the Dutch treasury from the country's Asian colonies. The country now known as Indonesia was governed from the Netherlands and thanks to a new system of forced cultivation the so called Dutch East Indies became the mayor financial contributor to the state.

These colonial profits saved the Dutch from both bankruptcy and the need to raise higher taxes. This situation continued on well into the 1860s, though some political changes did take place. The liberals became more powerful again and they voiced their disapproval of the system of exploitation the Dutch state imposed on the Dutch East Indies. They supported capitalist exploitation and fought for expansion of parliamentary power. Furthermore, a group of liberals with social-reformist ideas began to make itself heard. They built their notions on taxation on the grounds of fairness and justice. Furthermore, a fair and just society implied a larger role for the state and that increased government expenditure. Therefore every government with a liberal tone proposed an income tax. Time and again plans for an income tax were frustrated by parliament or retreat by the Minister.

Nevertheless the growth of support for social-liberal ideology continued and a liberal party was eventually established during the 1870s. In the 1880s liberals failed again, but as a growing opposition party they were able to regroup their scattered forces. In 1887 voters were presented with a liberal manifesto for the first

time, spreading the message of the need for a progressive income tax, including the taxation of the interests of stocks and a division of the tax burden. Meanwhile, the conservative and Christian governments of the 1880s forced another constitutional reform. Their aim was to let the state pay for Christian education, while the liberals managed to uncouple the right to vote and the tax census.

When a liberal cabinet came to power in 1891, it seized the opportunity to do so. The new liberal cabinet had taken over government on an ambitious program and it became clear that in order to fulfill the promises made, state revenues would have to be enlarged: not only for the short term but on a permanent basis. The liberal man on Finance, Nicolaas Gerard Pierson, was the most prominent economic thinker of the Netherlands of that time: he was a former professor in economics and the former president of The National Bank. This friendly and skillful man was able to present a divided income tax a majority of the members of parliament could agree. Finally, in 1893, a Dutch income tax was implemented.

The political debates concerning the implementation of a Dutch income tax included far more than just fiscal and economical arguments. The political and moral views on the division of power and money, on the role of state and government, and on who paid how much were also at stake. The discussion on taxes and taxation inevitably implicated a discussion on the rights and duties of civilians. The extension of direct taxes went along with the extension of civilian rights. The moral ideology of the social-liberals guided these changes. For them, all men had to have equal opportunities, and when they lived decent and industrious lives, they were entitled to be taxed fairly and justly. And while the socio-economic structure of the Netherlands became more and more centralized, and as more and more people began to enjoy government representation, direct income tax ended timehonoured privileges. With the implementation of an income tax all civilians were henceforward able to pay their taxes, knowing them to be levied 'for the sake of fairness'.

