

Pioneers of Capitalism and the Low Countries' Paradox

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Beyond the polder model: Varieties of capitalism in a comparative perspective

In 2013, Maarten Prak and Jan Luiten Van Zanden published an all-encompassing synthesis on the economic history of the Netherlands following the “Polder-model-theory”, in itself a variant of the “Rhineland model”. In their opinion, relatively low levels of inequality, a consensus model, and a strong civil society were cornerstones that accounted for a different pathway to capitalism. Eventually this model did bring prosperity to the present-day Netherlands. As can be expected from a thought-provoking synthesis written by a joint venture between two eminent authorities in their discipline, that book attracted a lot of attention as well as provoked debate. Several of the assumptions underlying the polder-model hypothesis were challenged, in particular the presupposed inclusiveness of Dutch society, the assumed relationship between consensus-seeking society and economic performance, and the alleged path dependency, if not determinism, of present-day Dutch society upon centuries of consensus-seeking. Building on a similar set of assumptions, Maarten Prak and Jan Luiten van Zanden have now written *Pioneers of Capitalism. The Netherlands 1000-1800*.¹ By restricting this new book to the preindustrial period, the authors have at least bypassed discussions about the alleged path

1 M. Prak and J.L. Van Zanden, *Pioneers of capitalism. The Netherlands 1000-1800* (Princeton 2023).

dependency of present society on the preindustrial legacy of the Netherlands. This approach does not prevent their underlying message from still being very suggestive. The very fact that no Dutch United Nations diplomat ever abuses diplomatic immunity by committing a parking violation in New York, it is suggested, connects to the question “Can capitalism, under some conditions, still coexist with good citizenship, or is it only with good citizenship that capitalism can flourish?” (p. 10). Still, since no British diplomats were issued a ticket either, the call for a comparative perspective is justified. The absence of a thorough comparative perspective, where the uniqueness and the causality of the Dutch model are put to the test, is – indeed – a weakness of both the earlier polder book and this new synthesis. Given the weight of the medieval legacy, one can especially regret the absence of a systematic comparison with the history of the Southern Netherlands.²

This review engages hesitantly with this comparative perspective, especially in regard of the history of present-day Belgium. The goal of our essay is not to compete with the historical roots of the “polder” or “Rhineland model”, let alone on the historical roots of the alleged “Dutch miracle”. Historical accounts inspired by a nationalist attitude toward documenting “exceptionalism”, as Erik Bengtsson demonstrates in a stimulating article on the Swedish *Sonderweg*, are intellectually vulnerable.³ To a certain extent such narratives are potentially “dangerous” as well. They do indeed suggest the existence of a set of innate societal characteristics, ranging from an alleged “*volksaard*” to historical path dependencies which would almost by definition lead to a specific economic and social outcome. Such approaches obscure contingencies and vulnerabilities, in both the past and the present. The goal of this intervention is rather to show that historical interrogations do not need path dependencies to offer a potentially illuminating perspective on present-day debates far beyond teleological pitfalls.

2 J. De Vries, ‘The Netherlands and the polder model concept’, *BMGN – Low Countries Historical Review* 129 (2014) 106; H. Van Der Wee, Review of M. Prak en J.L. van Zanden, *Nederland en het poldermodel, 1000-2000. De economische en sociale geschiedenis van Nederland*, *Tijdschrift voor Sociale en Economische Geschiedenis* 10:4 (2013) 125.

3 E. Bengtsson, ‘The Swedish *sonderweg* in question. Democratization and inequality in comparative perspective, c.1750-1920’, *Past and Present* 244 (2019) 123-161.

A deep longing for the whole world to be more like Belgium?

“Oh strangest of all strangenesses, the deep longing for the whole world to be more like Belgium.” In 2011, British essayist John Lanchester⁴ uttered this wonderful sentence. At an almost equal level of hyperbole, Paul Krugman espoused “[t]he secret of Belgium’s success” during times of crisis. Belgium’s remarkable resilience during the 2008 financial crisis and its aftermath finally merited attention and even a measure of admiration from some international commentators. Often seen as a prime case of immobility in a rapidly evolving world, Belgium started to attract international attention precisely because of its “successful” inertia during this crisis.⁵ Something similar happened during the COVID-19 pandemic. A number of comparative studies showed that household income stabilization in Belgium had been among the most effective in the rich world, in part thanks to its (often maligned) automatic stabilizers.⁶ And when Europe and the world experienced the most severe inflation shock in a generation in 2022, Belgium stood out again. Wages adjusted faster and more strongly than just about anywhere else, largely thanks to its virtually unique indexation system, automatically linking wages and several benefits to rising prices. Moreover, Belgium’s exceptional resilience to recent shocks stands out against the background of a larger canvas of structural resilience against forces that eroded middle-class living standards in other countries facing rising inequality. For as long as the household income data go back, Belgian households have enjoyed rising real living standards in an almost uninterrupted way. Even the economic crises have done little to slow the unglamorous but steady increases in households’ incomes, turning Belgium into something of an exception in the rich world. As far as we know, income inequality has remained stable at one of the lowest levels in the rich world.

Recently, Brian Nolan and David Weisstanner reported that the median-to-mean ratio of living standards for working-age households

4 John Lancaster, ‘The non-scenic route to the place we’re going anyway’, *London Review of Books* 33 (2011) 8 September 2011.

5 S.P. Jenkins, A. Brandolini, J. Micklewright and B. Nolan (eds), *The Great Recession and the distribution of household income* (Oxford 2013).

6 M. Christl, S. De Poli, F. Figari, T. Hufkens, C. Leventi, A. Papini and A. Tumino, *Monetary compensation schemes during the COVID-19 pandemic. Implications for household incomes, liquidity constraints and consumption across the EU*, JRC Working Papers on Taxation and Structural Reforms 03 (2022), European Commission, Joint Research Centre, Seville. JRC128996

– a measure of the extent to which “ordinary” households actually benefit from economic growth – declined between 1985 and 2016 in 13 out of 22 countries.⁷ Of the 22 countries covered in the study, however, Belgium stands out as having the highest median to mean ratio (0.940 in 2016), suggesting that middle-income households have a larger share of national income than elsewhere. For comparison, the ratio is 0.821 in the US. As far as we know, household wealth inequality in Belgium is also lower than in most other rich countries, with median household wealth being among the highest.

In all these respects Belgium indeed seems to be atypical. That is not to say that it is unique in the rich world. Income inequality has remained stable elsewhere (as in France and Japan, for example) or has stabilized after an episode of increasing inequality, typically during the late 1980s and 1990s (see, among many others, the UK and Germany). Yet if we combine the structural trend of stable inequality and Belgium’s extraordinary resilience during recent crisis episodes, then the picture does add up to a striking one worthy of closer examination. As far as “inclusive growth” and middle-class resilience are concerned, Belgium’s path seems a worthy point of comparison to the Netherlands. Its trajectory certainly deviates from the ones seen in many other countries, most notably the US, where the top has captured much of the economic gains made over recent decades. That has prompted a large body of literature that seeks to understand why this shift has happened. An influential narrative essentially holds that a top layer of society has seized control of the economy and with it much of the political system. That account has brought with it a self-perpetuating, self-reinforcing, and entirely self-serving elite. “Those at the very top of the economic ladder have developed and used political muscle to dramatically cut their taxes, deregulate the financial industry, and keep corporate governance lax and labor unions hamstrung.”⁸ Angus Deaton argued that the US lacks a strong and well-organized middle class that can stand up to rent-seeking elites.⁹ Belgium and the Netherlands deviate

7 B. Nolan and D. Weisstanner, ‘Has the middle secured its share of growth or been squeezed?’, *West European Politics* 44 (2022) 426-438, DOI: 10.1080/01402382.2020.1727173.

8 J.S. Hacker and P. Pierson, ‘Winner-take-all politics. Public policy, political organization, and the precipitous rise of top incomes in the United States’, *Politics & Society* 38 (2020) 152-204. doi: 10.1177/0032329210365042

9 ‘How inequality threatens civil society’, *Scientific American* 1 (2016), <https://www.scientificamerican.com/article/how-inequality-threatens-civil-society/> consulted on December 20 2023.

from this model through the existence of large middle classes, even though the latter are in constant fear of economic and social erosion.

A variety of factors helps to explain the specific Belgian variant of capitalism: the size of the government; the control of the state; the strength of social corporatism and the continuous bargaining of employer organizations and unions about a large variety of social and economic issues; the complex multilevel governance which urges politicians, employers, unions and all sorts of pressure groups to look continuously for social compromise; and, finally, also a strong civil society. As situated in the “varieties of capitalism” literature, Belgium appears to be a textbook example of a coordinated market economy. Peter Hall and David Soskice have convincingly argued that outcomes in coordinated market economies are most often the result of strategic interactions among firms and other actors. Like Katzenstein, Hall, and Soskice, they stress the importance of corporatist institutions that provide capacities for deliberation and cooperation.¹⁰

However, Belgium deviates from the institutional configurations that are said to be conducive to “good societies”, as Lane Kenworthy calls them, typically exemplified by the Nordic countries.¹¹ While Belgium shares key ingredients – such as a comprehensive welfare state; well-funded, high-quality public education; health and social services; strong unions and social concertation – the state has an extraordinary control over the economy. Unlike in the Nordic countries, markets are heavily regulated, resulting in low productivity growth and suboptimal employment outcomes. In short, the Belgian model comes at a cost. Moreover, despite the egalitarian idyll suggested by measures of income or wealth inequality, Belgium’s society is marked by striking socio-economic cleavages, even remarkably deep ones. There are large and persistent gaps in a range of socio-economic outcomes, be it by education level, region, or migration status. Indicators of social exclusion and quality of life are far from exemplary. Taxation levels are high, but welfare redistribution is biased toward the middle class, a phenomenon often referred to as the Matthew Effect.¹² In short, Belgium is not a poster child for inclusive growth.

10 P.A. Hall and D. Soskice, *Varieties of capitalism. The institutional foundations of comparative advantage* (Oxford 2001).

11 L. Kenworthy, *The good society*, forthcoming.

12 I. Marx and G. Verbit, ‘Belgium, a poster child for inclusive growth?’, in: B. Nolan (ed.), *Inequality and inclusive growth in rich countries shared challenges and contrasting fortunes* (Oxford 2021) 75-97.

As in the case of the Netherlands, the temptation is to ascribe such present-day outcomes to particular historical path dependencies, firmly rooted as early as in the Middle Ages.¹³ After all, multi-level governance certainly has medieval antecedents: a continuous power-balancing act between cities, within cities, and between the city, the sovereign, the church, and the nobility. This governance is somehow a hallmark of the Low Countries' history. Social corporatism especially, in all its varieties, is a thread through the Low Countries' history. Even some present-day social policies already originated in the late medieval period. After all, large countries departing from a preindustrial peasantry with high levels of agency and cities with strong corporative power have shown a greater tendency to evolve into contemporary democracies with proportional representation and centralized social concertation, which has eventually resulted in policies with stronger (re)distributive effects.¹⁴

Whether or not the gap between preindustrial and present-day societies can be bridged is a question the authors of *Pioneers of Capitalism* bypassed by focusing on the preindustrial period. It is also far beyond the scope of this introduction. One can, as suggested above, question the rationale of a quest for continuity. After all, the very fact that the much-applauded middling layers and the perceived consensus model are considered vulnerable in the short term does challenge the complacency inherent in a belief in a centuries-old path dependency.¹⁵ More research and reflection are needed to reveal whether path dependency has really played any significant role in the genesis of our mixed economies, democracies with proportional representation, and centralized corporatism – hence, in forging Belgian and Dutch societies in the twentieth century.

More important, however, are the lessons that (without such a quest for historical causalities and continuities) can be drawn from a dialogue between history and the present day. Reviewing the relationship between historical patterns of urbanization and social inequality, we recently identified the tension between inclusive growth and the 'reproduction' of inequality in Belgium and the Netherlands as the Low

13 B. Blondé, M. Boone and A.-L. Van Bruaene, 'Epilogue. The legacy of the medieval city in the Low Countries', in: B. Blondé, M. Boone and A.-L. Van Bruaene (eds), *City and society in the Low Countries, 1100-1600* (Cambridge 2018) 255-264.

14 T. Iversen and D. Sokice, 'Distribution and redistribution. The shadow of the nineteenth century', *World Politics* 61 (2009) 459.

15 G. Engbersen, E. Snel and M. Kremer, *De val van de middenklasse? Het stabiele en kwetsbare midden* (Den Haag 2017).

Countries' Paradox.¹⁶ The mechanisms of this Low Countries' Paradox can be identified in both past and present societies, however different they were in several respects. Briefly summarized, a first key idea of the Low Countries' Paradox is that the existence of a strong middle class and an elaborated civil society does not rule out the (potential) existence of high levels of social inequality. More importantly, however, and somehow counterintuitively, the coexistence of sizeable and strong middling layers with such patterns of inequality is not necessarily coincidental. To a certain extent, this coexistence is also *essential*. By building a strong civil society the middling sort of people reproduce social inequalities. Strong civil societies are not necessarily always open societies. This situation is exemplified by the Matthew Effect in the welfare policies in present-day Belgium, the weak educational performances of newcomers to Belgian society, and the reluctance of politicians to pursue policies for which little support can be gained from among the middling sort of people. It can also be traced in the Low Countries' preindustrial past.

To start with economic inequality, today Belgium may be exceptional in registering relatively low levels of income and (to our knowledge) also wealth inequality. In the preindustrial era, economic inequality loomed large, and it continued to grow in the early modern period. It grew in the Northern and the Southern Netherlands, and it seemingly did so irrespective of patterns of economic growth and development.¹⁷ Yet, however dazzlingly high income and wealth Gini-coefficients were, they did not prevent the inequality possibility frontier from never being reached. The well-documented sixteenth-century city of 's-Hertogenbosch offers a nice example. It was marked by Gini-coefficients for income inequality as high as 0,72 and a median-to-average income ratio of 0,30 in 1552.¹⁸ This dramatic social inequality did not prevent the city from being gifted a broad section middling sort of people and a well-developed civil society. The discretionary income available to median households was considerable.¹⁹ Overall, the

16 B. Blondé, et al., 'The Low Countries' paradox. Historical perspectives on inequality and the city', in: B. Blondé et al. (eds), *Inequality and the city in the Low Countries (1200-2020)* (Turnhout 2020) 15-42.

17 W. Ryckbosch, 'Economic inequality and growth before the Industrial Revolution. The case of the Low Countries (fourteenth to nineteenth centuries)', *European Review of Economic History* 20 (2015) 11-22.

18 B. Blondé, *De sociale structuren en economische dynamiek van 's-Hertogenbosch, 1500-1550* (Tilburg 1987) 188.

19 B. Blondé and J. Hanus, 'Beyond building craftsmen. Economic growth and living standards in the sixteenth-century Low Countries. The case of 's-Hertogenbosch (1500-1550)', *European Review of*



Illustration 1 Banquet of a corporal of the Haarlem cluvenile militia
(source: painting by Cornelis Cornelisz of Haarlem, Frans Hals Museum Haarlem)

available evidence on food consumption patterns in the Low Countries throughout the late Middle Ages and the early modern period confirms the affluence the middling sort of people most probably enjoyed.²⁰

This middle-class affluence links up to the rich historiography on the growth of the Antwerp market in the sixteenth century. The debate then centered on the alleged welfare benefits of this “Golden Age”. While some historians stressed the emancipatory value of sixteenth-century growth for the middle classes,²¹ others deplored the fact that wage laborers paid for the social costs of economic growth.²² The Low Countries’ Paradox does a good job in explaining this conundrum, especially by revealing the explicit link between social inequality and resilient middling groups in society. The institutions that protected civil,

Economic History 14 (2010) 179-207.

20 E. Schokkaert and H. Van der Wee, ‘A quantitative study of food consumption in the Low Countries during the sixteenth century’, *Journal of European Economic History* 17 (1988) 131-158; A. McCants, *Civic charity in a Golden Age. Orphan care in early modern Amsterdam* (Urbana 1997).

21 H. Van der Wee, ‘The economy as a factor in the revolt of the Southern Netherlands’, *Acta Historica Neerlandica* 5 (1971) 52-67.

22 H. Soly, ‘De dominantie van het handelskapitalisme: stad en platteland’, in: E. Witte (ed.) *Geschiedenis van Vlaanderen van de oorsprong tot heden* (Brussel 1983) 105-180.

social, political, and economic claims were both inclusive and exclusive at the same time. As Anne Mc Cants has shown, the children who were fortunate enough to be raised in the Amsterdams Burgerweeshuis (the burghers' orphanage of Amsterdam) were significantly better off than those catered for by the municipal orphanage, where poor children were taken care of. Unsurprisingly, then, concerns arose that residents would buy citizenship with the sole purpose of ensuring a potential entry ticket for their offspring.²³ Actors in inclusive institutions run the risk of developing rent-seeking behavior, especially in adverse situations, as is shown by the violence used by urban guilds against Flemish countryside textile industries in the late Middle Ages, a strategy that "proved not successful", as Herman Van der Wee saw it.²⁴ In a similar vein, the harsh social policies that have been increasingly pursued ever since the late Middle Ages, forcing the able-bodied poor to work by excluding them from any social aid, did a better job in responding to middle-class anxieties and ideologies than in creating job opportunities for the deprived.²⁵ As Maarten van Dijck has shown, in late medieval and sixteenth-century rural confraternities in Brabant, poor members were increasingly excluded and entry fees raised. Equally vicious were the behavioral thresholds that were raised, discouraging and excluding members who did not comply with refined, civilized urban manners, even in countryside associations.²⁶

In a thought-provoking study on the governance of the Flemish polders, Tim Soens made a similar point: ownership patterns and power balances eventually determine the social outcomes of an institution.²⁷ Landownership concentration indeed also empowered rich (often absentee) landowners in water management. In some cases, the trade-off between being open and inclusive and being exclusive and protective was straightforward, as has recently been demonstrated by Jim Van Der Meulen. While in both sixteenth-century Armentières and Nieuwerkerke relatively costly textiles were produced, Armentières weavers were

23 McCants, *Civic charity*.

24 H. Van der Wee (ed.), *The rise and decline of urban industries in Italy and in the Low Countries (late middle ages-early modern times)* (Leuven 1988).

25 C. Lis and H. Soly, *Poverty and capitalism in pre-industrial Europe* (Hassocks 1979).

26 M.F. Van Dijck, 'Het verenigingsleven op het Hagelandse platteland. Sociale polarisatie en middenveldparticipatie in de 17e en 18e eeuw', *Tijdschrift voor Sociale en Economische Geschiedenis* 2:2 (2005) 81-108.

27 T. Soens, 'Polders zonder poldermodel? Een onderzoek naar de rol van inspraak en overleg in de waterstaat van de laatmiddeleeuwse Vlaamse kustvlakte (1250-1600)', *Tijdschrift voor Sociale en Economische Geschiedenis* 3:4 (2006) 3-36.

sheltered from social polarization through corporatist institutional settings. The latter were absent in Nieuwkerke, where a more open, inclusive textile industry came about, but it did so at the cost of growing social inequalities.²⁸ Corporatism was certainly not unique to the Low Countries, but one can, with Prak and Van Zanden, indeed imagine that the complex of craft guilds, chambers of rhetoricians, shooting and religious confraternities, neighborhood associations, urban militias, and the like did place the Low Countries' affluent urban societies highly on a scale of "corporate density". Whether this assessment withstands the test of comparison, along with what exactly the ramifications were, can be resolved only by thorough comparative research.

Maarten Prak and Jan Luiten Van Zanden tend to stress the benefits that come with inclusive institutions and the Dutch variety of capitalism. The reproduction of social inequalities and the rent-seeking behavior that could originate in such a society are covered only marginally. By focusing upon slavery, the authors somehow "outsource" the internal contradictions of Dutch capitalism to the global economy. "The institutions within the Republic were and remained on the whole inclusive, while the institutions in the colonies were (on the whole) extractive" (p. 208). Yet, as the Low Countries' Paradox reveals, internal contradictions were part and parcel of the "varieties of capitalism" model in the Low Countries. They still are today. Indeed, almost as we write, both in Belgium and the Netherlands ideologies that capitalize on the exclusion-inclusion paradox and middle-class anxieties are gaining political momentum.

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²⁸ J. van der Meulen, 'Get rich and try dyeing. Cloth production and social inequality in town and countryside (sixteenth century)'; in: Blondé et al. (eds), *Inequality*, 51-55.

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