

## *Pioneers of Capitalism – A Response*

Maarten Prak and Jan Luiten van Zanden

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We are honoured by this discussion dossier and by the kind words and thoughtful comments made in the five contributions. The aim of our book was to provide a synthesis of the research that has been done over the past 25 years by the Utrecht social and economic history group, in particular, and by scholars in this field more generally. The framework was the capitalism debate that has received much attention recently. What does the Dutch case tell us about capitalism as an economic and socio-political system? Scholars studying capitalism are usually torn between two extremes. One school condemns capitalism for all that went wrong in the past – since it was the dominant system, and almost every history has its dark sides of exploitation, inequality, and injustice. This position is the Marxian tradition. The other school argues that it is the best economic system the world has ever experienced, because it has produced historically unprecedented growth and, hence, welfare for huge numbers of people, even if they have not all benefited equally. This perspective is the liberal tradition in economics, following in the footsteps of Adam Smith.

In *Pioneers of Capitalism* we acknowledge that both sides have a point and have therefore tried to position ourselves between these two extremes. One might sum up our perspective by echoing Churchill's defense of democracy: capitalism is the worst of all possible worlds, "except for all those other forms that have been tried from time to time." New Institutional Economics is, we hope to have shown in the book, a framework that enables an analysis of the "many faces of capitalism" and of the manifold links between the organization of society (Douglass North's famous "rules of the game") and economic development and

growth. Efficient institutions that promote trust and facilitate exchange are the true “wealth of nations” as much as bad institutions – such as slavery or patriarchy – are the curse of nations. It follows that the special development path of the Netherlands with its growth spurt in the late Middle Ages requires an explanation in terms of the institutions that emerged in that period and which formed the basis for its success in the sixteenth and seventeenth centuries.

We try to give a comprehensive overview of the institutional layers of society without weighting their relevance. In the classic North/Acemoglu framework the macro institutions of political governance constrain the executive – the king – and are therefore key to development (see the interpretation of the Glorious Revolution by North and Weingast).<sup>1</sup> We think that micro institutions at the household level – such as the European Marriage Pattern – and what might be called meso institutions like guilds, communes, and companies are equally relevant. Institutions at these various levels are linked and interact, as the case of slavery illustrates (it is a micro institution, but it cannot persist without the violence backed up by the state). This dense network of institutions is embedded in the social norms and values of a society, but we have also noticed that people are able to live in two (and perhaps more) ethical worlds. This duality – analyzed so appropriately by Anne McCants in her contribution to this file – questions the importance of norms and values in explaining human behavior. When the dominant institutions change or people move to a society with different institutions, almost all of them adapt their norms and values, as the examples of slavery and polygamy documented in the book show. People do the right thing when institutions induce them to do so; internal convictions are only a guide for a small minority, we have to conclude.

## **Anne McCants : A moral view of history**

As is explained in Anne McCants's very original interpretation of the book, our search for a balanced assessment of capitalism has resulted in three major revisions of the standard narrative. First, the genesis of capitalism in the Netherlands is quite different from the classic Marxian view; it is older and developed along more consensual lines, instead of the class conflict

1 Douglass C. North and Barry Weingast, ‘Constitutions and commitment. The evolution of institutions governing public choice in seventeenth-century England’, *Journal of Economic History* 49:4 (1989) 803-832.

that in Karl Marx's vision was propelling history forward – a view repeated by, for instance, Robert Brenner in the 1970s.<sup>2</sup> Second, the character of capitalism in a specific place and period was intimately linked to the institutions, norms, and values in which it was embedded – in Surinam it had a different face from the one it had in the countryside of Frisia (consistent with the concept of “varieties of capitalism”). Third, people did to some extent understand this variety and consciously adapted the capitalist system to their social needs and preferences – in particular in periods of intense institutional transformation like the years around 1600.

This search for the malleability of capitalism was inspired by our personal ideas, norms, and values. Having grown up in the 1960s and 1970s, we wondered (at the most general level) whether capitalism could be reformed – more reformed than it had been already in the post-1945 welfare state. It took a long detour from this fundamental question to the current book – in a way we worked ourselves back in time to (hopefully) uncover the secrets of development and underdevelopment. The New Institutional Economics framework made it possible to integrate the ideas and expertise of a social and an economic historian in a – we think – fruitful way (as noted by Bas Splet). History writing – even the quantitative, econometric kind that one of the authors experimented with – is always steered by choices that one might label as “moral”: the topic that is studied, the theoretical framework that is used, the questions that are being asked. As rightly remarked by Maïka De Keyzer, for the assessment of “success” and “failure” we did not exclusively focus on the analysis of GDP growth, but were always interested in other dimensions of well-being, too. A study of Dutch capitalism could not ignore the role played by slavery and colonial domination, while at the same time the economic miracle of the seventeenth century could not be told without paying attention to guilds, communes, and civic institutions in general.

## Bas Splet: The working classes

Karl Marx and Friedrich Engels were moved by the fate of the working classes, and the extent of their exploitation has always been a benchmark for critics of capitalism. Therefore, Bas Splet is only right to raise the issue and to question whether more attention to their situation might have changed our assessment of Dutch capitalism. We think

<sup>2</sup> See his two papers as reprinted in Trevor Aston and C.H.E. Philpin (eds), *The Brenner debate. Agrarian class structure and economic development in pre-industrial Europe* (Cambridge 1985).

that this observation has been partly inspired by the tongue-in-cheek treatment of our methodology throughout *Pioneers of Capitalism*. Many of our evaluations rest on comparative assessments, though not always in a very explicit manner. Perhaps this area is one in which we could have been more up-front about the comparative position of the working classes, especially during the Dutch Golden Age. For we do not think that being a manual worker during the seventeenth century was in any way a pleasant situation to be in. Not only was life uncomfortable in ways that are difficult for academics almost anywhere in the modern world to imagine, but workers were indeed exploited by being forced to work very long hours for very little money, often facing workplace hazards for which they were not insured, along with few opportunities to escape from a life of poverty. None of this situation is disputed in any way. However, we have to face up to the fact that there are no societies that have been entirely successful in eradicating exploitation or poverty (“real existing socialism” included). So, if we accept that we can only choose between “varieties of capitalism”, the question becomes whether there is historical evidence that some forms of capitalism are compatible with relatively favorable circumstances for working-class people. In *Pioneers of Capitalism* we argue that the Dutch Republic, and more specifically Holland, was doing exactly that – given the technological constraints of pre-industrial economies. We have three reasons for making this claim.

The first reason is related to levels of real wages. Comparisons show that welfare ratios for workers in Amsterdam (and London) were superior to those in Central (Leipzig) and Southern (Milan) Europe during much of the early modern period.<sup>3</sup> This contrast is borne out by migration figures, our second reason. During the seventeenth century, the coastal area of the Dutch Republic was a magnet for migrants, especially from the German territories and Scandinavia. Some of them were refugees for religious reasons, but most were what is nowadays called “economic migrants”. These migrants were especially attracted by the employment opportunities in the province of Holland.<sup>4</sup> Thirdly, there is evidence that for those who could not make ends meet, poor

3 Robert C. Allen, Jean-Pascal Bassino, Debin Ma, Christine Moll-Murata, and Jan Luiten van Zanden, ‘Wages, prices, and living standards in China, 1738-1925: in comparison with Europe, Japan, and India’, *Economic History Review* 64:1 (2011) 27 (fig. 5).

4 Jan Lucassen, *Migrant labour in Europe 1600-1900. The drift to the North Sea* (London 1987); Jelle van Lottum, *Across the North Sea. The impact of the Dutch Republic on international labour migration, c. 1550-1850* (Amsterdam 2008).

relief was more generous in the towns and cities of the Dutch Republic than anywhere else in Europe, with the exception of England and the most developed parts of the Habsburg Netherlands.<sup>5</sup>

Spliet is correct in pointing out that the situation deteriorated in the second half of the eighteenth century.<sup>6</sup> Still, the welfare ratios published by Allen *et al.* show Amsterdam tracking the London levels into the first quarter of the nineteenth century, underlining the continuation of the Little Divergence in this period.<sup>7</sup> This finding reinforces our point that Dutch capitalism was by no means perfect, but its performance should be assessed against real alternatives, not against a standard of perfection that never existed in the real world. In other words, we need to know if other societies were doing better or worse in delivering well-being to their citizens.

## Bruno Blondé and Ive Marx: Comparisons and the impact of the past

Bruno Blondé and Ive Marx have a slightly different take on inequality, going back to a concept that was launched in a book published in 2020, just as we were wrapping up the manuscript for our own study. The paradox of growing inequality and the continued strength of the middle classes is indeed an attractive lens through which to look at the dynamics of economic and socio-political forces in this period. We gratefully used this concept of a “Low Countries Paradox” in the concluding pages of *Pioneers of Capitalism*. We welcome the opportunity to say that we essentially agree with their argument. As we stated earlier, capitalism is not an ideal system, and there are, to the best of our knowledge, no examples of developed economies without a certain measure of inequality.

Therefore, we argue in the book, the focus should be on the various models of capitalism, including their impact on inequality. From contemporary analyses we know that a small number of countries do well in world rankings based on objective and subjective criteria. On self-

5 Bas van Bavel and Auke Rijpma, ‘How important were formalized charity and social spending before the rise of the welfare state? A long-run analysis of selected western European cases, 1400-1850’, *Economic History Review* 69:1 (2016) 182-183.

6 A dramatic example in Peter Pot, *Arm Leiden. Levensstandaard, bedeling en bedeeden, 1750-1854* (Hilversum 1993).

7 Allen, Bassino, Ma, Moll-Murata, and Van Zanden, ‘Wages, prices, and living standards’, 27 (fig. 5).

reported happiness, the best scoring region in the world is comprised of the Nordic countries in Europe (Finland, Denmark, Iceland, Sweden, and Norway), accompanied by Switzerland, the Netherlands and Luxemburg; Belgium is ranked nineteenth in the World Happiness Report 2022, which covered data from 2019 to 2021.<sup>8</sup> Most of these countries also occupy high positions in the latest installment of the OECD's Better Life Index; the OECD's six highest-ranked countries are in the top eight of the Happiness Index.<sup>9</sup> Belgium is ranked sixteenth by the OECD, the Netherlands in fifth and sixth place in the two indices. Exact placements are, however, not the interesting point because the differences are relatively small. What is significant to us is two other things. In the first place, the most successful countries in the world, in terms of economic performance and experienced well-being, are operating under the restrained form of capitalism that, as we argue in *Pioneers of Capitalism*, emerged in the Netherlands already in the late Middle Ages. However – and this is the second point, not explicated in the book – whereas Swiss history displays some notable similarities with Dutch history,<sup>10</sup> the Nordic countries had a very different political economy during the early stages of this process. They were primarily agrarian economies, with low levels of urbanization, and governed by absolutist rulers and their aristocracies. It is one of the reasons why we have accepted the point that the line from pre-modern to modern economies is perhaps not as straightforward as we had claimed earlier.

Blondé and Marx are correct in saying that our story might have at least included an explicit comparison with the Belgian case as probably the best candidate for such a comparison. We are not sure if they are suggesting: different institutions, similar outcomes, or the opposite: similar institutions, different outcomes. We agree, though, that it will probably be difficult to find two regions/nations that had so much in common in, say, 1550, and then were, due to a number of external shocks, pushed into different directions – a genuine natural experiment. The hypothesis of our book, that the medieval heritage mattered a great deal, would lead to the “prediction” that both countries found similar roads to economic modernity and a democratic society, but we have to leave such conclusions open for further research. And

8 See <https://worldhappiness.report/ed/2022/happiness-benevolence-and-trust-during-covid-19-and-beyond/#ranking-of-happiness-2019-2021>, accessed 9 December 2023.

9 See <https://www.oecdbetterlifeindex.org/#/111111111111>, accessed 9 December 2023.

10 See André Holenstein, Thomas Maissen, and Maarten Prak (eds), *The republican alternative. The Netherlands and Switzerland compared* (Amsterdam 2008).

what is similar? Is the coal-based “classic” industrialization of Belgium similar to the Dutch path based on services and agriculture?

## Maïka De Keyzer: The peasant alternative

Maïka De Keyzer’s starting point is Brenner’s interpretation of the transition from feudalism to capitalism, which she presents as the unproblematic consensus view. We doubt whether such a consensus exists in the literature, not to mention the importance of alternative views – such as the approach stressing commercialization and urbanization as major forces in this transition. In a former life, one of the authors (who at the time was still recognized as an historian of agriculture and the countryside) published extensively about the various paths to capitalism in the Brennerian fashion. The conclusion of this mini-debate was that there were different paths to capitalism, and that Holland or the western Netherlands did not experience the rise of large-scale farming based on wage labor that is considered typical for the English path to (agricultural) modernization.<sup>11</sup>

De Keyzer’s contribution also points to a paradox that is indeed worth considering. No doubt, Holland was the engine of pre-modern growth in the Netherlands, but when the dust had settled, around 1800, it appears that Drenthe had the highest level of well-being in the Netherlands.<sup>12</sup> In fact, this paradox is very persistent – recent studies of the regional distribution of well-being also show that Drenthe is a good candidate for the highest prosperity. Yet can we conclude from this measure that we should turn the rest of the Netherlands into a series of Roldes (the Drenthe municipality with the highest scores)? Would it have been possible to follow a “peasant” development path into modernity solely on the basis of the extensive and “communal” model of that part of the country? Or was Amsterdam (or Utrecht or, nowadays, Eindhoven) required as well – that is, the dynamics, innovativeness, excesses perhaps of a true capitalist engine of change – to achieve the fundamental economic and technological changes that occurred? The question about the distribution of the welfare gains (and

11 See the contributions to Peter Hoppenbrouwers and Jan Luiten van Zanden (eds), *Peasants into farmers. The transformation of rural economy and society in the Low Countries* (Turnhout 2001).

12 Leo Noordegraaf and Jan Luiten van Zanden, ‘Early modern economic growth and the standard of living. Did labor benefit from Holland’s Golden Age?’, in: Jan Lucassen and Karel Davids (eds), *A miracle mirrored. The Dutch Republic in European perspective* (Cambridge 1995) 410-437.

losses) due to capitalist development and economic growth is indeed very complex, and we think that we give a nuanced picture based on the current state of knowledge. Many questions remain, nonetheless. How do we interpret the welfare effects of Amsterdam/Holland being a center in which employment was created which far outstripped the supply by the Amsterdam population itself – leading to massive flows of male and female workers from northwestern Europe in search of employment? Did the sailors and soldiers who boarded the VOC ships, for example, gain or lose? Were they exploited, or did they benefit from new opportunities (or both)?

### **Sam Geens: The countryside**

Does the book suffer from a Holland-centered bias, as suggested by Sam Geens? There are various ways to look at this question. First, we asked ourselves if some regions are covered much better than others. This we did by counting the number of times the ten Dutch provinces were mentioned in the index, which is a proxy for the degree to which they were mentioned in the text of the book. Focusing on the ten provinces, we counted 256 entries in total; Holland was unsurprisingly mentioned most often, with 115 entries, or 45 percent of the total, but its share in total population was (in 1795) 38 percent; Zeeland and Utrecht were equally overrepresented, bringing the share of the western Netherlands in entries to 67 percent (they had 48 percent of the population in 1795). Of the other provinces, Drenthe was also overrepresented (6 percent of entries, 2 percent of population), Frisia came close to its share in population, whereas Limburg was covered by only one entry – and clearly neglected.

The point is, however, that it was Holland that made the early transition to some kind of capitalism, and Holland (and Zeeland and, perhaps, parts of Utrecht, but that again is a different story) was the engine of the economic miracle of the sixteenth and seventeenth centuries, also known as the Dutch Golden Age. In the chapter on the high Middle Ages we cover the different parts of the Northern Netherlands more or less equally, paying, for example, much attention to Frisian freedom and southern feudalism. Holland was then still at the margin of the main events. This situation obviously changes after 1350 when the rise of Holland and, after 1500, the unfolding of the Golden Age took place. When we discuss innovations in the financial sector or in international



trade, typical for the variety of capitalism that we see emerging, we have to focus on Holland and Zeeland, or even on Amsterdam only. This transition to capitalism was the story we wanted to tell. In a way, other parts of the Northern Netherlands – Dutch Brabant, Drenthe – developed more along the lines of the “normal” Western European development path. They were, of course, affected by the crisis after 1566, and by expanding demand for agricultural commodities due to the expansion of international demand. In two seminal studies, Bieleman has shown how this development changed Drenthe’s agriculture, and Roessingh has analyzed in detail how the growth of the tobacco market had a huge impact on small farmers on the Veluwe region.<sup>13</sup> Agriculture in the Netherlands, however, remained predominantly small-scale, dominated by family farms (a situation that continues into the present), which is indeed very relevant for understanding the Dutch development path, but not the topic of our book.

We will admit that there are weaknesses in our discussion of the regional development paths of the Netherlands after 1350. Initially, we had hoped to offer estimates of the development of regional GDP *per capita* for the period after 1500, so as to broaden the coverage of the available GDP series and to pinpoint more precisely how regions had benefited or not from the transition to capitalism. However, the data for such an experiment were simply too weak, and the first estimates showed that the gap between Holland and the rest had already emerged in 1500, yet did not allow for an analysis of the period before the “Little Divergence” (as we have coined the divergent trajectory of Holland versus the rest of the country). This disparity was frustrating, as the sources are available in the form of the accounts of many cities in the east and the west and of the counts of Holland. Together with Jan Huiting and Sandra de Pleijt, we are now collecting these data to construct series of nominal and real wages in Holland, Utrecht, and the eastern Netherlands between 1300 and 1800, which will help to fill this gap. Even so, a synthesis is also a map of the extent of our ignorance, as well as a plan of the desires for future research.

13 Jan Bieleman, *Boeren op het Drentse zand 1600-1900. Een nieuwe visie op de ‘oude’ landbouw* (Wageningen 1987); Idem, *Boeren in Nederland. Geschiedenis van de landbouw 1500-2000* (Amsterdam 2008); H.K. Roessingh, *Inlandse tabak. Expansie en contractie van een handelsgewas in de 17<sup>e</sup> en 18<sup>e</sup> eeuw in Nederland* (Wageningen 1976).

## Conclusion

One aspect that returns in many of the criticisms, implicitly or explicitly, can be summed up in the word “comparisons”. In *Pioneers of Capitalism* we made many comparative remarks in passing, but failed to explain and elaborate our position in full. It is perhaps no coincidence that this aspect stood out more obviously for Flemish readers, who are at one and the same time implied in historical arguments about the Low Countries yet removed from them when arguments apply to the Dutch Republic or to Holland only. We are grateful for the opportunity to have clarified some of the issues, while aware of the further potential of such questions. Dutch and Flemish social and economic historians have many collaborative projects, including the journal in which these texts are published, and should possibly extend those collaborations to a more systematic exploration of the implications of these various geographies.

## About the authors

**Maarten Prak** (1955) was, until his retirement, professor of social and economic history at Utrecht University, a post he shared with Jan Luiten van Zanden since 1992. He is the author of, among other works, *The Dutch Republic in the Seventeenth Century*, translated by Diane Webb (Cambridge University Press, 2023, 2nd edition), and *Citizens without Nations. Urban Citizenship in Europe and the World, 1000-1789* (Cambridge University Press, 2018).

E-mail: m.prak@uu.nl

**Jan Luiten van Zanden** (1955) is emeritus professor in economic history at Utrecht University. He recently published books about the origins of globalization (with Pim de Zwart), as well as the evolution of Dutch nature since the last Ice Age, *De ontdekking van de natuur* (with Thomas van Goethem, Rob Lenders, and Joop Schaminée). He is currently working on a book covering the dual crisis (of market and state) that emerged in the period 1980-2020.

E-mail: j.l.vanzanden@uu.nl