
M. Prak, J. Luiten van Zanden, *Pioneers of Capitalism. The Netherlands, 1000-1800*, Princeton University Press, Princeton-Oxford 2023, pp. 261.

Pioneers of Capitalism will be a work of reference for students of Dutch socioeconomic history for many years to come. On the back cover, Jan de Vries called it “simply the best brief account of Dutch capitalism ever written” (emphasis added). The italicized word is not a coincidence. The book is indeed powerful in its ability to combine breadth with concision, but this also puts it in contrast with the 900 pages of small print that De Vries and Ad van der Woude needed to write the previous standard work on early modern Dutch economic history.¹ Unlike *The First Modern Economy*, first published in 1995, Maarten Prak and Jan

¹ J. de Vries, A. van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500-1815*, Cambridge University Press, 1997.

Luiten van Zanden extend the period of study deep into the Middle Ages while also drawing attention to the social relations (re)produced by Dutch capitalism at home and abroad. For these two reasons, the book surpasses the previous syntheses of Dutch capitalism by bringing it in line with recent developments in economic history.

First, the long-term approach enables the authors to trace the origins of market development in the Netherlands. During the first half of the second millennium, in the marshy peatlands of Holland, located at the border area between two distinct agro-economic systems, the joined benefits of Carolingian feudalism (economies of scale) and "Frisian freedom" (free market farming) managed to turn the western part of the Netherlands into a highly urbanized region with advanced industries and a strong civil society. By the time the Dutch Revolt came around in the mid-sixteenth century, the economy was already dominated by markets. Throughout his career, Van Zanden has made seminal contributions to the "little" and "great" divergences that distinguished the economies of the Low Countries and Britain from the rest of Europe and the world, starting from the late medieval period onward. Indeed, the developments of GDP statistics, real wage series and other (though not all) measures of well-being demonstrate that between 1350 and 1800, the Netherlands underwent a slow but steady process of economic growth and rising living standards. The longitudinal analyses of church building activity and per capita book consumption are especially illuminating in this regard. Still, the Fall of Antwerp in 1585 added a cyclical, Braudelian element to the growth curve, which in the seventeenth and a large part of the eighteenth century caused a shift northwards of the Low Countries' economic center of gravity, elevating the Dutch Republic to the "nucleus of the capitalist world economy". But the book also stands out in its emphasis to embed Dutch capitalism in the society from which it emerged. Here, the stamp of Prak, who made important contributions to reassessing the role of guilds in pre-modern economic development, is evident. In fact, *Pioneers of Capitalism* is an updated version of a Dutch-language book, published in 2013, in which the authors attributed the long-term success of the Dutch economy to a political culture based around building consensus. In the new book, Prak and Van Zanden make a concerted effort to put this *poldermodel* in an international perspective. In this endeavor, they borrow the theoretical framework of "inclusive" and "extractive" institutions that are said to separate successful economies from failed states, today and in the past. However, contrary to many scholars associated with new institutional economics where this framework originated, Prak and Van Zanden look beyond market development and parliamentary restraints on predation. They perceive the Netherlands

as an early example of a coordinated market economy, where the state plays an active role in regulating and coordinating the market. Although the Netherlands already had a strong civil society before the Dutch Revolt, the authors put special emphasis on the dynamism with which Dutch capitalism was adjusted to new circumstances after 1600. The Dutch state, which in the idiosyncratic federal structure of the Republic was to a large extent dominated by provincial and local institutions, did more than just clear away obstacles for private enterprise. Even if merchants held unprecedented political power, authorities still felt the need to develop policies that were believed to benefit society as a whole. For one, the number of guilds and the intensity of bread market regulation increased after the Dutch declared independence from the Habsburg monarchy. But new “inclusive institutions” were also created to ensure the continued vitality of Dutch capitalism while curbing its “excesses”. In Amsterdam, the metropole of the seventeenth century global capitalism, the establishment of the Exchange and Credit Banks instituted strict regulation of the money market, while the Dutch East and West India Companies (VOC and WIC) exemplified the close coordination between state and market. These state-protected institutions, Prak and Van Zanden argue, were instrumental in stimulating long-term investments at the expense of short-term speculation. While the Exchange Bank initially held to a 100% reserves policy and curtailed the activity of private cashiers, the VOC managers resisted the pressure of some shareholders to pay out short-term dividends and instead opted for re-investing profits. This is not to say that the authors see no negative consequences of Dutch capitalism, of course, but they maintain that these were for the most part externalized overseas. A fascinating passage in chapter 6 illustrates something already observed by Adam Smith;² that is, that the absence of slavery and polygamy on European soil, or the relatively low levels of institutional inequalities in the Netherlands for that matter, had very little to do with deep-seated cultural norms and values. When VOC director-general Jan Pieterszoon Coen set out to design the VOC headquarters in Jakarta, which he burned to the ground in 1619, he modeled the new city of Batavia and its administrative institutions on pre-existing Dutch cities. But the structural inequalities between VOC and the indigenous population soon induced the degeneration of the Dutch trading post into a rent-seeking territorial state, not dissimilar from the city-states in late medieval northern Italy and Flanders that lost their dynamic edge as a result of increasing

² J. Pitts, *A Turn to Empire: The Rise of Imperial Liberalism in Britain and France*, Princeton University Press, 2005, pp. 25-58.

urban control over the hinterland. Before long, the Dutch adopted local customs of slavery and concubinage and modeled their ostentatious lifestyles on the Javanese princes of the surrounding states rather than on Calvinist notions of abstinence and frugality. Throughout the seventeenth and eighteenth centuries, VOC and WIC engaged in both slave trade and plantation slavery and set up other “extractive institutions” aimed at exploiting peoples and resources in Dutch colonies. After 1600, the bifurcation between “inclusive” institutions at home and “extractive” institutions abroad forms one of the central hypotheses of the book. One wonders if this differentiation was as clear-cut in practice as it is presented in the book, however. In chapter 8, the last before the conclusion, Prak and Van Zanden go a long way in fitting the eighteenth-century Dutch economy in the theoretical straightjacket of the book. While the Patriot Revolution demonstrated that the elites and middle classes remained equally vested in republican corporatism, new opportunities for growth were found in spite of the decline of urban industries, particularly in agriculture, international finance, and slave plantations. With this, the duo avoids the question of why the British – and even the Belgians, who had remained under Habsburg rule all these years – beat the Dutch pioneers of capitalism on the road to the Industrial Revolution. Although Prak and Van Zanden concede the uptick in social and economic inequality, they refute the common observation that the increasing social segmentation of Dutch society took the wind out of the sails of the Dutch economy. Did the eighteenth-century tendency towards oligarchization of the regent classes really have nothing to do with the stagnation – and, ultimately, decline – of the Dutch economy towards the end of the eighteenth century? Did “extractive” institutions abroad perhaps undermine the domestic “inclusive” institutions? Did the elites not benefit disproportionately from colonial extraction and the Dutch leadership in global finance, for instance? And did urban particularism in the context of rising inequality not make the Dutch economy more sluggish, like it did earlier in Flanders and Italy?

These questions remain unanswered, perhaps because the chronology of the book (1000-1800) does not allow a thorough discussion of issues that can only be answered by extending the period of study into the nineteenth century. Besides, Joel Mokyr, the editor of the Princeton Economic History of the Western World series in which *Pioneers of Capitalism* was published, once wrote that the Industrial Revolution was a quintessentially Western occurrence, the primacy of Britain being of secondary importance.³ From such an international perspective, it is

³ J. Mokyr, *The Gifts of Athena: Historical Origins of the Knowledge Economy*, Princeton University Press, 2002, p. 76.

certain that the Dutch played a major role in the birth of modern capitalism. For that reason, this fascinating book will be of interest for students of Dutch socioeconomic history as well as economic historians generally.

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