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Author

Gorski, Phil

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**THE PROTESTANT REFORMATION AND ECONOMIC HEGEMONY:
RELIGION AND THE RISE OF HOLLAND AND ENGLAND**

Philip S. Gorski

Department of Sociology

University of Wisconsin—Madison and Yale University

The inspiration for this paper, as for much of my previous work, is Max Weber’s seminal study, *The Protestant Ethic and the Spirit of Capitalism*. In that book, Weber famously argued that there was an “elective affinity” between “ascetic Protestantism” and “modern capitalism.” There has been an enormous amount of controversy about the “Weber thesis” over the years. Among sociologists, the controversy has focused mainly on matters of interpretation – on what Weber really meant. Among historians, it has focused mainly on questions of validity – on whether Weber was actually right.

Wherever one stands on these questions – and I have no intention of reviewing or adjudicating them here – there clearly is a macro-level correlation between Reformed Protestantism and economic hegemony. The city that dominated commerce and manufacture in Northern Europe for much of the Sixteenth Century – Antwerp – became a hotbed of militant Calvinism during the 1570s and 1580s, as did Ghent, Bruges and most of the major urban centers in the Southern Low Countries. The city that usurped Antwerp’s preeminent role and came to dominate commerce and finance throughout

Europe until at least the late Seventeenth Century – Amsterdam – was also strongly influenced by Calvinism and other forms of ascetic Protestantism, if never fully dominated by them. From there, economic pre-dominance passed to London, which held it for fully two centuries, and then to New York, née New Amsterdam, which retains it today, if perhaps only tenuously.

Of course, it is not clear what, if anything this correlation means. It could just be noise; after all, if we define countries as cases, we are dealing with a tiny “sample”, and it could be argued that this provides a weak basis for causal inference. In other words, the correlation might just be a coincidence. Or, it could be that there *was* a causal connection, but that the causal arrows point the other way – from economics to religion. Marxists and other materialists have often argued that Reformed Protestantism was a bourgeois ideology born of merchant capitalism. Finally, it could be that the correlation is spurious, and that Protestantism and hegemony are both the products of a third variable. Urbanization would be a good candidate, since Protestantism and capitalism both grew best in cities.

While I think there is some truth to the second and third claims, I wish to argue that the Protestant Reformation *did* have independent -- and perhaps even significant -- effects on economic hegemony in early modern Europe. In this rather general sense my argument is similar to Weber's: like him, I see causal links between the Protestant Reformation and economic dynamism. In the particulars, however, my argument is quite different from his, and in at least two ways. Whereas Weber was interested in explaining “the genesis

of modern capitalism” and “the rise of the West” *tout court*, I focus on a much narrower (if by no means narrow) question: the shift of economic hegemony from Southern to Northern Europe and, more specifically, the rise of Amsterdam and London to the status of “core city.” Thus, my question is quite different than Weber’s. So, too, is my answer. For Weber, the key link between Protestantism and dynamism lay in religious ideas and institutions (the Protestant Ethic of “innerworldly asceticism”, and communal systems of church discipline). By contrast, I focus primarily on economic resources and incentives and, more specifically, on factors of production (land, labor and capital), on one hand, and incentives for investment and innovation, on the other. Or, to put it somewhat differently, while Weber emphasizes internal structures (e.g., motivations and personality), I emphasize external ones (e.g., resources and institutions).

The Argument in Brief

At first sight, my hypothesis may read like a *non sequitur*: for what could the Protestant Reformation possibly have to do with factors of production or incentives for investment and innovation? Perhaps a great deal! Let us begin with factors of production. The Reformation unleashed almost two centuries of confessional strife; this strife sparked massive movements of labor and capital (both financial and human); and these movements transformed the geographical distribution of labor and capital, diluting it in some areas (e.g., the Southern Netherlands and Northern France) while concentrating it in others (e.g., the cities of Holland and Zeeland). Might this sudden shift in the spatial distribution of productive resources be one of the factors behind the rapid and unexpected

rise of the Dutch Republic during the late Sixteenth Century? I will take the case for the affirmative.

The Reformation also had a major impact on the social distribution of land, the third factor of production. In many countries, the church controlled a substantial portion of the arable land and precious metals; during the Reformation, much of this property was “secularized”; and in England, especially, much of this wealth quickly found its way into private hands. This has two consequences. The first was a shift in control over the agricultural surplus from a group that was relatively un-interested in – indeed, effectively banned from -- commercial activity (the clergy) to one that was keenly interested in overseas investments (the gentry). The second was the conversion of precious metals into specie, which brought about a significant increase in the velocity of circulation. Could this increase in capital and liquidity have been a factor in the growth of English commerce, perhaps even a major one? Again, I think a strong case can be made that it was.

The Reformation also affected the labor supply in another important but oft-overlooked way: through the abolition of religious holidays. While the number of religious holidays varied slightly from region to region, it was well over 100 in most areas. Protestant reformers found many of these holidays objectionable. In part, these objections were theological in nature: many of the religious holidays were part of a “cult of the saints”, which the reformers rejected on principle, and involved ritual and magical practices that smacked of “superstition.”. To some degree, they were also moral in character: the

holidays were occasions for drinking, feasting and revelry as well as for “debauchery” and “fornication.” For both these reasons, Protestant reformers sought to eliminate particular holidays and to reduce their overall number. Needless to say, there was a great deal of resistance on the part of the popular classes. The most aggressive – and successful – campaigns were led by ascetic Protestant reformers, not least in England and the Netherlands. The end result of these campaigns, as E.P. Thompson recognized long ago, was an increase in the average number of working days – and thus in the effective supply of labor.

Now let us turn to incentives for innovation and investment. What impact could the Reformation have here? If we grant that rates of innovation and investment are largely a function of risks and returns and that risks and returns are influenced by the level of social order and system of political governance, then the answer may again be that the impact was significant. Why? Because the Protestant Reformation often took the form of “social revolutions” in the Skocpolian sense of “rapid, basic transformations of a society’s state and class structures” that are “accompanied and in part carried through by class-based revolts from below” (Skocpol 1979, 4)

Let me flesh out this argument in greater detail. The Protestant Reformation was a social revolution in both of the above senses. First, it resulted in a fundamental transformation in “class structure”, insofar as it stripped the “first estate” – the clergy – of its property and privileges and freed the urban middle-classes from noble tutelage. In many parts of Northern Europe, the impact of the Reformation on the clergy was quite similar to – and

more long-lasting than -- the impact of the French Revolution on the landed aristocracy. The clergy did not disappear, but it was largely disenfranchised and expropriated. Second, it brought about fundamental changes in “state structure.” For our purposes, three sets of changes are of relevance: 1) shifts in the balance of power between representative assemblies and royal courts; 2) shifts from proprietary (“venal”) to non-proprietary (“bureaucratic”) systems of clerical and political office-holding; and 3) the creation of new mechanisms of social and moral control. The confessional conflicts of the Reformation era exacerbated long-standing conflicts between representative assemblies and princely rulers. In some cases, the result was “absolutism”, the usurpation of authority by the monarch, and the desuetude of representative assemblies (e.g., in France, Prussia, Austria, Florence and, in a special sense treated below, Spain). In others, the result was “constitutionalism”, in which the powers of monarchs was restricted or even abolished, with most authority passing to representative assemblies (most notably and durably in England and the Dutch Republic, but also for a time in Sweden and Poland). Protestant reformers also challenged the proprietary system of office-holding that prevailed within the Catholic Church and replaced it with a non-proprietary and proto-bureaucratic one, in which there was a clear separation between person and office, and appointment was partly based on formal qualifications. In a few cases, these proto-bureaucratic practices also penetrated into the state administration (most deeply and thoroughly in Prussia, Sweden and England). In these instances, lower-level royal officials (often the sons of Protestant ministers) banded together with “Puritan” monarchs against upper-level office-holders (usually from the landed aristocracy), to create more bureaucratic and meritocratic systems of state administration.

Protestant reformers also pushed hard for the creation of communal systems of church discipline as well as for secular mechanisms of social control. This campaign for social discipline was not unique to Reformed Protestantism. But the Calvinist and Calvinist-inspired systems of discipline were uniquely effective (e.g., in Switzerland, Southwest Germany, the Netherlands, England and Sweden) insofar as they were local and communal in character, rather than centralized and hierarchical. In closing, I should add that these changes in “class and state structures” were most often driven by “class-based revolts from below.” Indeed, they generally became revolutionary only insofar as ascetic Protestantism developed a strong popular basis among artisans and merchants. Where such a basis was absent, the result was a noble rebellion (as in Poland) or a revolution “from above” (as in Prussia). In sum, the Protestant Reformation led to a period of intense social, political and military conflict, that altered class and state structures throughout Europe, sometimes quite profoundly.

This brings me to the second step in my argument: the claim that rates of growth – and chances for economic hegemony – will be affected by the relative uncertainties and returns to economic innovation and productive investment. Let me further unpack this claim. I have added the terms “economic” and “productive” in order to emphasize the fact that there are non-economic forms of investment and innovation that generate economic returns; and I have added the term “relative” to emphasize that the decisions that individuals make about how to invest their time and money will be at least partly a function of the economic risks and returns associated with these investments relative to

other possible investments. Thus, an ambitious individual might decide to invest his time or money in the pursuit of a comfortable clerical “living” or a “venal” political office, rather than investing it in improving his estate or buying the shares of an overseas trading company. Obviously, we would expect that societies in which individuals invest their time and money in offices will grow less rapidly than ones in which they invest in agricultural improvement and commercial expansion.

The third link in my reasoning is that relative uncertainties and returns – and hence prospects for economic growth and hegemony – can be strongly influenced by social and political structures. Two sets of linkages seem particularly important in this context. The first is the *political security of property rights*. (Following Douglass North, I use the term property rights to denote *de facto* control over land, labor or capital, as opposed to formal rights over property. While formal and informal rights are inter-related, they are by no means equivalent.) Where property rights are strong and secure, property owners will have a stronger incentive to invest and innovate, because the likelihood that they will be able to appropriate the returns is high. The strength and security of property rights is influenced by many factors, of course, but state structure and state policy are two of the most important. A state that behaves in an arbitrary and unpredictable fashion towards property owners generates high levels of economic insecurity and uncertainty, and thereby depresses investment and innovation. Similarly, a state that is fiscally predatory and geo-politically expansive also weakens property rights, with similar effects. In the context of early modern Europe, this means that we would expect property rights to be more secure in bureaucratic and constitutional states than in patrimonial and absolutist

ones, because the former are generally more predictable and less predatory than the latter, because they possess more reliable administrative machinery and because they place limits on princely power and dynastic ambition. Another threat to property rights is social disorder. Property rights are not strong or secure in a society characterized by high levels of crime and chaos. Thus, property rights will also be influenced by state *infrastructure* – by the presence or absence of formal and informal mechanisms of social and moral control that serve to maintain order in daily life at the local level.

The second set of linkages concerns the *elimination of proprietary office-holding*, and the *diminution of returns to clerical and political office*. One of the central goals of the Protestant reformers was the elimination of the ecclesiastical benefice. This goal was achieved in most parts of Protestant Europe, albeit to varying degrees. One of the central goals of the second generation of ascetic Protestants (“Puritans”, “Pietists”, “precisionists” and so on) was a diminution of courtly splendor and, in some cases, the elimination of political prebends *per se*. This campaign was successful only in certain parts of Northern Europe. The importance of this should be clear: by closing off two of the most important avenues of (economically) un-productive investment by the upper classes – high level clerical and courtly offices – the Protestant Reformation radically transformed the “field of power”: the returns on economic investment increased relative to those on cultural and political investment. The monied, the gifted and the ambitious were perforce steered in the direction of commerce, science and trade, if not inevitably, then certainly on average.

Let me now try to pull the various threads of this argument together somewhat more tightly. My argument is as follows: The Protestant Reformation stimulated economic growth in two, interrelated ways: First, by injecting additional land, labor, capital and specie into the economy, and second, by increasing the returns to (economic) investment and innovation. Though general, this stimulus was stronger in those areas that were strongly influenced by ascetic Protestantism of Calvinist provenance – areas such the province of Holland and South of England. Indeed, my argument is that it was *uniquely* strong in these two areas. This framework also sheds light on the eventual shift of hegemony from Holland to England and perhaps even on the timing of this shift. Holland received an early and powerful stimulus from immigration, buttressed by regime structure (constitutionalism) and state infrastructure (social discipline). However, it never became fully bureaucratized and eventually devolved in the direction of proto-venality, both in government offices (“contracts of correspondence”) and in economic organization (social closure of the VOC). England never experienced significant immigration, but it did receive a boost from secularization (land and specie). More importantly, it did become more fully bureaucratized and experienced less venality.

The Argument in Context

Let me now attempt to situate this argument within the literatures on “the rise of the West” and “primacy in the world economy.” Over the last decade or so, there has been an upsurge of interest in the timing and pre-conditions of the rise of the West. Until recently, it was generally agreed that “the West” (meaning Western Europe and

especially England) had surpassed “the East” (meaning Asia, and especially China) by the year 1500, if not earlier. Indeed, the general tendency had been to push the date further back, sometimes as far as the Low Middle Ages. The main focus of debate during this period was on the preconditions for the rise of the West. The orthodox position was more concerned with Europe as a whole, and emphasized internal factors, especially demographic ones. In the Malthusian world of pre-industrial Europe, the argument went, the chief barrier to economic growth was an imbalance between arable land and population. If the population was too low in relation to available land, then rents declined. And if rents declined, capital formation declined and agricultural improvement halted. By contrast, if the population was too high in relation to available land, agriculture would be expanded to marginal lands, and productivity would decline. The chief reason for the European breakthrough, it was argued, was gradual technological improvement combined with modest population increase – itself the product of the “European marriage model” (late marriage and low fertility).

There was also a heterodox version of the internalist perspective, pioneered by Robert Brenner, that was more concerned with economic primacy. It focused on class relations in the countryside, particularly in England. Brenner rejected the neo-classical assumptions that underlay the demographic orthodoxy. He argued that it was grossly anachronistic to conceive of lord-peasant relations in feudal Europe in terms of labor contracts and marginal utility; concepts such as labor control and agricultural surplus are more appropriate.

Both versions of the internalist argument were disputed by proponents of an externalist position, that emphasized the role of trade and commerce in the rise of the West. Here, too, we find an orthodox position that focuses on the rise of the West and a heterodox position that focuses on economic primacy within Europe. The orthodox version focused mainly on the role of trade within Europe. It traced the rise of the West to the rise of markets and more specifically, to the Smithian character of European markets, which were seen to be “freer” than Asian markets (e.g. Jones). The heterodox version gave greater weight to the growth of overseas trade. It traced shifts in hegemony mainly to the opening and monopolization of overseas markets -- in the Levant, the Baltic, and eventually the Atlantic (e.g., Braudel).

Obviously, some arguments are synthetic in character. Immanuel Wallerstein’s theory of the “world system” is a good example. It seeks to explain the rise of the West *and* shifts in economic primacy by combining various strands of the internalist and externalist accounts. Thus, Wallerstein argues that labor markets approached the Smithian model in core areas, but involved substantial amounts of physical coercion in peripheral areas. Similarly, Wallerstein argues that the rise of the West and the hegemony of Holland and then England are explained by the opening of the Baltic and Atlantic trades and the success of Amsterdam and London in controlling them.

However different these arguments may be, in terms of both *explanans* and *explanandum*, they all assume that the European breakthrough occurred no later than 1500. A number of revisionist scholars have now challenged this assertion. They argue that the most

developed areas of Western Europe did not overtake their competitors in East Asia until the Industrial Revolution. They present powerful evidence about population, fertility, productivity, and trade that challenges the received wisdom. Here, too, the debate pits internalist and externalist arguments against one another. Internalist accounts emphasize the cultural and contingent factors that led to the invention of the steam engine and its application to industrial production. (e.g., Goldstone) Externalist accounts emphasize the extraction of specie and wealth from the New World and other overseas colonies. (e.g. Frank).

The debate between traditionalists and revisionists about when the West overtook the East is far from over, and I am in no position to resolve it. Instead, I have chosen to sidestep it altogether by focusing on the problem of economic primacy within Europe. Of course, this still leaves the debate between the internalists and externalists. I am not (yet) prepared to take a stand on this question. In fact, at the moment, I am inclined to take both positions quite seriously, if only for methodological reasons. Since there are many runners in the race for economic hegemony, it stands to reason that the winner would have many strengths. Put differently, there are good *prima facie* reasons to believe that the outcome is massively over-determined, the result of a favorable confluence of chance and circumstance, both internal and external. The South of England and the province of Holland were vying, not only with one another, but with Northern France, the Southern Low Countries, Lisbon, Seville, Genoa and Venice – not to mention other regions of the Netherlands and the English monarchy. If they prevailed, it was because

they were strong both internally and externally – and because the Protestant Reformation greatly increased their fitness in ways that I will briefly outline below.

The Cases: Some Talking Points and Open Questions

The key cases for this analysis are not territorial states but rather cities within states. The real runners in the race for economic primacy were not states, but core regions within these states and the cities that dominated them. This is not to say that states were irrelevant to the outcome; on the contrary, state institutions and policies could be quite important. Nor is it to say that the outcome was irrelevant to the states in question; economic success generated economic resources, accelerated rural development and sparked social-structural change. However, the concentration of goods, services and information in a single location greatly decreased transaction costs, and these cost advantages tended to attract more business. Thus, it was cities rather than states, that emerged as the hubs of commerce, manufacture and finance.

During the early modern era (ca. 1500-1800), economic primacy passed from Southern to Northern Europe and, more specifically, from Florence to Genoa to Antwerp to Amsterdam to London. There is no need to invoke the Protestant Reformation in order to understand the broader shift from Southern to Northern Europe; it can be easily accounted for in terms of exploration and geography, specifically: the European “discovery” of the New World and of maritime routes to the Far East. These discoveries

undermined the geographical advantages of the Italian city-states, which were not able to maintain a (European) monopoly over the “rich trades” with the Far East nor well situated to reap the fruits of trade and colonization in the New World. What the Reformation might help to explain is why Amsterdam and London were able to surge ahead of the competition within Northern Europe. Certainly, this is not the result that one would have anticipated ca. 1500, when both looked more like also-rans than sure-things. At this point in time, Antwerp looked like the odds-on favorite, with Seville, Lisbon and perhaps even La Rochelle more likely to place or show than London, the first city of a peripheral kingdom, or Amsterdam, a smallish northern satellite of south-netherlandish traders.

Economic historians generally agree that the Dutch take-off began around 1580, with the province of Holland serving as the locomotive, and the City of Amsterdam as its engine. They also agree that there was sustained growth in virtually every relevant dimension – population and productivity, total savings and output, agriculture and commerce, wages and wealth – until at least 1650, and that the Dutch Republic remained the richest state in Europe long after this growth halted, probably until sometime in the late Eighteenth Century. There is less agreement about just when Amsterdam was overtaken by London, though more on the order in which the takeover occurred: first in overseas trade, then in international finance, and lastly in per capita income.

At first glance, the timing of the Dutch take-off might appear puzzling: it occurred during the height of the Dutch Revolt against Spain. Even more puzzling is the timing of the

Dutch slow-down: it began just a few years after hostilities with Spain were officially ended (1648). One might have imagined that the struggle against the Habsburg Goliath would have sapped the energies of the Dutch David. However, it becomes a good deal less puzzling when we consider the “un-mixing of peoples” – or rather, of confessions – that accompanied this struggle and the confessional conflicts of the late Sixteenth and early Seventeenth Centuries more generally. During this period, the cities of Holland became the destination of choice for religious refugees from many parts of Europe. Two groups were of particular importance for the present analysis: overseas traders and skilled artisans from the Southern Netherlands and Sephardic Jews from the Iberian Peninsula. Their numbers were small but their impact was enormous. With their arrival during the closing decades of the Sixteenth Century, far-flung commercial networks and entire industrial sectors were transplanted to Holland virtually *in toto*, and Amsterdam quickly usurped Antwerp as the dominant city in Northern Europe. During the Seventeenth Century, religious tolerance and economic prosperity attracted immigrants from many other parts of Europe as well, and especially from Germany. Their numbers were enormous: probably 1,000,000 people in all, in a country whose total population never exceeded 2,000,000 during the early modern era. Their impact was less dramatic, but no less important, for without them, Dutch urbanization and colonization would likely have ground to a halt. Even in the cities of Holland, renowned for their order and cleanliness, deaths always outnumbered births, and population could only be maintained through immigration. Without the influx of outsiders, urban growth would have been impossible. If cities were net consumers of human life, then colonies had even more voracious appetites. For every three people sent out by the East and West India

Companies, it has been calculated, only one survived. Many and perhaps most of these people were immigrants. If cities and colonies were the engines of Dutch growth, then immigrants were its fuel. Thus, by spurring immigration to the Dutch Republic, the Protestant Reformation increased its “factor supply” in crucial ways.

The Protestant Reformation also created a social and political context that was favorable to economic and commercial growth:

--religious endowments were “secularized” and used to finance an extensive system of public provision for the “deserving poor” who could not be absorbed by the labor market – and disciplined the “sturdy beggars” who sought to avoid the labor market.

--new systems of church discipline, buttressed by traditional practices of communal discipline, helped make the Republic an unusually orderly place, with rates of crime and extramarital fertility well below those of its competitors.

--before the Revolt, the upper reaches of state administration in the Low Countries had been dominated by landed nobles from the French-speaking provinces of the Southern Netherlands; since the nobles generally sided with Spain, and Spain regained control over the Southern provinces, the North came to be dominated by urban patricians who promoted mercantilist, “business-friendly” policies in taxation and trade, and opposed expansionist and bellicose foreign policies. Thus, success in business became the surest

route to upward mobility, and the temptations of “imperial overstretch” were assiduously avoided.