

McCloskey and the Dutch: Capitalist Rhetoric and the Economic History of Holland

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Abstract

Deirdre McCloskey argues quite persuasively that rhetoric and ideas were essential for the rise of capitalism in the Netherlands in the seventeenth century. Dutch scholars could benefit from McCloskey's views on the topic, but they will be reluctant to engage her work because it is not based on primary research and does not engage most major contemporary works in the relevant historiography. Contemporary scholarship, in Dutch and in English, emphasizes the important role of institutions and government actors in early Dutch capitalism. This article aims to situate McCloskey's work within this literature, with the hope for more discussion in the field so that McCloskey's thesis will receive the attention it deserves.

JEL Codes: N14, E02, P12

Keywords: Dutch, Holland, Netherlands, institutions, rhetoric, McCloskey

I. Introduction

The seventeenth-century Dutch play an important role in the historical narrative of Deirdre McCloskey's "bourgeois" trilogy. Capitalism, she says, came first in Holland and then developed in England, France, and the United States (McCloskey 2006, p. 12; McCloskey 2010, 2015). She notes that variables such as access to resources, political freedom, and legal institutions are fine, but that ideas such as dignity, tolerance, and coexistence made capitalism possible. In short, McCloskey believes that talk came before trade and ethics before institutions, as a rising bourgeois culture enabled the rise of capitalism in the Netherlands.

To defend her view of the Dutch, McCloskey draws on the works of the famous art historian Simon Schama and the established economic historian Jan De Vries, when and where these two presented views squared with her own. She also cites some major, standard historians of the Dutch, such as Johan Huizinga and

Jonathan Israel. But, as far as I can tell, McCloskey does not cite a single Dutch historian who would disagree with her thesis, despite the fact that the dominant perspective among Dutch economic historians is neoinstitutionalist and therefore unsympathetic to McCloskey's emphasis on rhetoric. Unfortunately, then, much of the important contemporary scholarship on the economic interpretation of the Dutch golden age is absent in her analysis (De Jong and Van Zanden 2014). Although McCloskey argues against the intuitionist and neoinstitutionalist perspective in a broad sense, she fails to directly engage Dutch historians of this tradition. Dutch economic historians, in turn, have given McCloskey's thesis much less attention than it deserves.

II. The Institutionalist Approach

Dutch economic history is quite a small field of research, and most of the substantial work has been written by a limited cast of scholars. Most of the important contemporary works on the rise of capitalism in the Netherlands are in English, but the debates in the field spill over into Dutch-language journals and the Dutch popular press. Dutch economic historians work in an international milieu and have mostly imported their theoretical approaches. In the 1970s and 1980s, the views of Immanuel Wallerstein and Fernand Braudel were quite influential in the discussion about early Dutch capitalism. Wallerstein's world-systems model proposed that the Netherlands grew rich because it enjoyed a position at the European core, which benefited at the expense of a periphery. Wallerstein and Braudel, while not Marxists, defended materialist and geographical explanations of history. The Dutch incorporated Braudel's focus on long-term patterns and on macroscopic, comparative history. At heart, however, most Dutch economic historians were positivists who were never truly satisfied with this French theory (Aymard 1982).

Since the 1980s, the dominant approach to Dutch economic history has been institutionalist, with a preference for multifaceted, complex, and, if possible, complete interpretations of economic change. The works of Douglass North and Barry Weingast, Daren Acemoglu and James Robinson, and Robert Putnam provide inspiration for the contemporary literature in the field. The institutional approach appeals to the modern Dutch appreciation of regulation and cooperation, the belief that social structures beyond the individual level are responsible for shaping history. Indeed, the

very rhetorical structure of Dutch economic history lends itself to this institutionalist approach. The Dutch prefer the term “sociaal-economische” or “socioeconomic” to just plain “economic” history. Their leading economic history journal, the organizational structure of their university history departments, and, one could argue, the very rhetorical structure of their thought process about economic history betray the view that economics is tied to social patterns and institutions more than to ideas (Touwen 2008).

Maarten Prak and Jan Luiten van Zanden, in their book *Nederland en Het Poldermodel*, summarize and defend the leading institutionalist interpretation of Dutch economic history. At first glance, this work seems to agree much with McCloskey. For example, the authors suggest that civil society was responsible for economic growth in the Dutch golden age (Prak and van Zanden 2013). But by “civil society,” Prak and Van Zanden have something different in mind than McCloskey’s bourgeois dignity. They see civil society as a form of inclusivity and consensus arising from deliberation between groups and institutions. This “polder model” is a form of moderated market economy in which a democratic government mediates between constituents and institutions to regulate society and enforce equality. It is also, in their words, an “open access” society, as contrasted with a hierarchical society. McCloskey’s understanding of civil society, on the other hand, is more Hayekian: it arises from deliberation, negotiation, and mutual respect between individuals, and it leads to free trade, private enterprise, and innovation. While McCloskey thinks dignity precedes growth, Prak and Van Zanden think institutions establish the framework to allow civil society to emerge and prosper.

Prak and Van Zanden are leading figures in Dutch economic history, so their views should not be ignored. In earlier writings, Prak argued for the dominance of civic institutions in forming the Dutch bourgeoisie. He has also written about the role of welfare, craft guilds, civic charity, and political culture (Prak 2010). Others have added to the institutionalist view by writing about the public finance system in the Netherlands, the establishment of firm property rights, the joint-stock company, the bourse, public investments and improvements, loans, and credit instruments (Gelderblom 2009). A recent work on the rise of the Amsterdam *beurs*—the Dutch stock exchange—helps us to understand the culture of the early Dutch financial industry (Petram 2014). Here, a good argument can be made that nongovernmental actors concerned with their own reputation

and values played a significant role in shaping the rules of the Dutch stock market (Stringham 2003).

Jan De Vries expresses concern with the cause and effect relationship Prak and Van Zanden propose. “Did the polder model make the Netherlands prosperous,” De Vries asks rhetorically, “or did a prosperous region have the means to preserve (self-indulgently?) sub-optimal institutions?” In other words, is the polder model “a superior institutional arrangement that *fosters* economic growth” or a “costly institutional arrangement that *requires* a rich society for its maintenance” (De Vries 2014, p. 104)? If institutions made the difference, we must ask, what made the institutions? One solution is to reach back to the medieval period and describe institutions evolving within the low countries (Van Bavel 2010; Van Bavel and van Zanden 2004). Alternately, like the historian Jonathan Israel, we could look to exogenous shocks that set the Netherlands up in a particularly advantageous position in the world market (Israel 1995; van Zanden 2002). Further, we could expand the definition of institutions to include all informal relationships, but we would run the risk of expanding the definition of institutions to such an extent that it would be almost meaningless and incapable of explaining cause and effect.

III. Noninstitutionalist Explanations

Before the rise of the institutionalists, Dutch historians proposed a variety of political, cultural, and material explanations for the economic growth of their golden age. Each interpretation cobbled together more factors. But by increasing the list of factors at play, historians were really just avoiding the difficult problem of disaggregating these factors to identify the salient ones. Prak, for example, in addition to the causes listed above, has also emphasized as growth factors the high level of urbanization in Holland, its “strong internal dynamic” (a rather vague term), Dutch long-distance trade, and the flight of capital from Antwerp to Amsterdam after the Spanish invaded in 1585 (Prak 2002, p. 110).

Other historians have pointed to stability within political decentralization, the diversity of trade that protected the Dutch economy from exogenous shocks, the geographical advantages such as proximity to other trading nations, the fertility of the Dutch soil, the production of new agricultural lands via land-reclamation polders, the availability of peat as a fuel source, the exploitation of the North Sea fishery, and many other factors (De Vries 1974; Price 1994; ‘t

Hart 1993; van Zanden 1997). The institutionalists have had no problem absorbing all of these factors into an overall framework—so much so, in fact, that one might question whether they believe in a materialist explanation of history.

The institutionalists, in their attempts to write a comprehensive history of Dutch economic growth, have not entirely rejected political or religious explanations, even if they have downplayed them. Max Weber thought Protestantism had contributed to the Netherlands' high degree of capitalist development. Philip Gorski, inspired by Weber, has argued that Calvinism provided the disciplinary social structure that encouraged economic growth. Discipline, Gorski thinks, created the modern polity because it allowed obedient and industrious subjects to work within an efficient social order (Gorski 2003). We could see religion as part of the complex of ideas that inspired dignity and perhaps efficiency and order.

Despite all these institutionalist views, an old strand in the Dutch historiography implicitly agrees with McCloskey. McCloskey is primarily concerned with city-dwellers, the burgers who became bourgeois through their interaction with each other. This is reminiscent of the town-centered approach of Henri Pirenne, the Belgian historian. Older generations of historians, such as Pirenne, Johan Huizinga, and Violet Barbour, were more sympathetic to this idea that cities were the origin of civility and liberty. According to Barbour, there was a “cosmopolitan spirit” of the Amsterdammers, who were “strikingly uninhibited by abstract considerations of patriotism or by theories of economic nationalism” (Barbour [1950] 1963, p. 130). Liberal, tolerant, and international, Amsterdam was an emporium where dignity in the market was upheld despite religious and cultural differences.

More influential, though, is the work of Johan Huizinga, perhaps the premier Dutch historian. In a book from 1941, Huizinga described the uniqueness of the Dutch and their golden age success as arising from a discussion culture that formed a free middle class and led to innovation and ideas (Huizinga 1941). That Huizinga dealt with culture and ideas generally and not with statistics and institutional factors particularly may have put him at a disadvantage in the contemporary debate about Dutch economic growth. Likewise, Schama's cultural history of the golden age, to which McCloskey shows some deference, shows that works of art reflected shared Dutch ideas of morality (Schama [1987] 1997). The Dutch point to

tolerance as a key feature of their national culture and their religious heritage, but they seldom link tolerance to the growth of the market.

Of the modern leading lights of Dutch economic history—Maarten Prak, J. L. Van Zanden, and Jan De Vries—De Vries's views seem most amenable to McCloskey's, and she cites him accordingly. For De Vries, the key to Dutch economic growth was industriousness. He sees households becoming increasingly focused on market-oriented labor while reorganizing household consumption patterns. In this story, luxuries became common consumption items, demand for goods increased, and the supply of commodities matched it. When luxury lost its negative connotation as an object of greed, the market could expand (De Vries 2008). "Industriousness," in De Vries's account, is an idea nearly as central as McCloskey's "bourgeois dignity."

De Vries comes to this position through a rigorous quantitative study, and his conclusions do not always match McCloskey's. For example, De Vries finds agriculture, not town life, to be central to economic growth. De Vries also joined agricultural historian A. A. Van der Woude to write a book that combines the French *Annales* school's long-range view with the institutionalist perspective. Agriculture and industry, in this joint study, played a larger role than fishing, foreign trade, and banking. Specialization in these sectors, the author argues, led to growth (Van der Woude 1995). Again, unlike McCloskey's focus on the urban bourgeoisie, De Vries and Van der Woude argue that the rural economy and rural peasants played an important role in the Dutch economic rise.

A fundamental distinction between McCloskey and most other observers of Dutch economic history is that McCloskey recognizes that bourgeois values were neither natural, inevitable, nor lying under the surface, ready to be expressed. What made the Dutch unique was not only that they were freed from most of the constraints on their liberty, but that they used their liberty to develop bourgeois virtues. The historian Robert P. Brenner argues that growth comes from a drive for profitability and is only possible when producers are free, "compelled in their own interest to maximize the gains from trade through specialization, accumulation and innovation" (Brenner 2001, p. 173.) I can imagine McCloskey nodding casually, but adding that freedom is a necessary but not sufficient condition for growth.

IV. Conclusion

It is remarkable that the Dutch historiography pays such little attention to rhetoric and ideas as the driving force of economic growth. Historians who have written about culture in the Dutch golden age do not clearly link culture to economic growth. Part of the debate hinges on an old controversy between positivist and idealist history. In the former view, we seek explanation via empiricism and induction; in the latter, we seek understanding (*verstehen*) by way of sympathy for the thoughts of others. In this sense, McCloskey is an idealist in a discussion dominated by positivists. She has provided a theory, an explanation, that makes logical sense, but she does not work extensively from the primary sources. The rest of the field is seeking empirical data and analyzing it to isolate explanatory relationships of cause and effect.

There are certainly many historical problems here yet to consider. We have a record of discussion and tolerance in the Netherlands, but how can we show that Dutch merchants were more dignified than others elsewhere? How can we measure dignity?

In conclusion, McCloskey argues against the institutionalist explanation of history, but she has not directly engaged the Dutch historiographical traditions of the institutionalists, so they are unlikely to agree with her. The slow pace of academic transfusion has limited Dutch scholars' awareness of McCloskey's works. Although she has been interviewed in the Netherlands, given speeches there, and even held appointments in Dutch universities, her new work has received little attention from Dutch historians. The online search engine at the primary historical journal in the Netherlands, *BMGN: Low Countries Review*, returns no results for "McCloskey." In the major Dutch social and economic history journal, McCloskey's *Bourgeois Dignity* is cited twice (Vries 2014, but with no substantial comment, while *Bourgeois Virtues* is cited once, again with no comment in the text of the article (Ryckbosch 2010; Coenen 2011). I imagine that if McCloskey's work directly engaged the institutionalist position presented by Dutch economic historians, it would have received much more attention and had much greater effect.

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