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published in

BMGN - Low Countries Historical Review
2014

document version

Publisher's PDF, also known as Version of record

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citation for published version (APA)

't Hart, M., & Davids, K. (2014). Is the Polder Model good for the economy? A new interpretation of Dutch economic and social history. *BMGN - Low Countries Historical Review*, 129(1), 90-98. <http://www.bmgn-lchr.nl/index.php/bmgn/article/view/9448>

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Is the Polder Model Good for the Economy?

A New Interpretation of Dutch Economic and Social History

KAREL DAVIDS AND MARJOLEIN 'T HART

The book *Nederland en het poldermodel* [The Netherlands and the Polder Model] is a commendable effort to present a new, theory-informed interpretation of the economic and social history of the Netherlands of the last thousand years. However, this review questions the supposed causal relationship between civil society ('polder model') and economic growth. The authors assume that economic growth emanates from a vibrant civil society and that likewise economic decline coincides with a weakening of civil society. Upon closer inspection however, their concepts seem to be imperfectly related to the theories they claim to use as inspiration. The supposed waning of civil society after 1670 and after 1815 is not substantiated by historical facts either. Their thesis would have benefited greatly from a comparative analysis, both spatially and in time. The rather haphazard use of the term 'civil society' precludes convincing conclusions over time, while an international perspective is lacking altogether – a sadly missed opportunity.

Is het poldermodel goed voor de economie? Een nieuwe interpretatie van de Nederlandse economische en sociale geschiedenis

Het boek *Nederland en het poldermodel* is een lovenswaardige poging om een nieuwe, op theoretische basis geschoeide interpretatie van de sociale en economische geschiedenis van Nederland van de laatste duizend jaar te presenteren. Deze bijdrage stelt echter vragen bij het veronderstelde causale verband tussen 'civil society' (het poldermodel) en economische groei. De auteurs nemen aan dat economische groei optreedt als een *civil society* sterk is en dat omgekeerd economisch verval zich voordoet als een *civil society* verzwakt. Bij nader inzien blijken hun concepten niet goed te sporen met de theorieën die hen tot inspiratie dienen. De veronderstelde kwijnende *civil society* na 1670 en na 1815 is ook niet op

historische feiten gebaseerd. Hun stelling zou aan kracht hebben gewonnen indien zij een vergelijkende analyse hadden toegepast, zowel ruimtelijk als in de tijd. Het nogal arbitraire gebruik van de term *civil society* maakt het moeilijk overtuigende conclusies in de loop van de tijd te trekken, terwijl een internationaal perspectief geheel ontbreekt: een gemiste kans.

*Nederland en het poldermodel*¹ by Maarten Prak and Jan Luiten van Zanden is a courageous book in three respects: it presents the social and economic history of the Netherlands since the Middle Ages in just 300 pages, it is written in such a way that it serves a broader public, and it links Dutch history to a number of recent debates regarding the causes of economic growth. The authors bring together an enormous amount of historical knowledge, resulting in a synthesis that encompasses the multifarious findings of a large number of colleagues in the field. As a guiding principle they use the concept of the ‘polder model’. This model designates a society in which social groups act in an organised fashion (‘civil society’); political decision-making leaves much room for compromise between these groups, achieved by means of deliberation and negotiation. In contrast to more hierarchical regimes, a polder model society is characterised by a higher degree of societal equality (12). The main thesis of the book is that this specific organisational model can also lead to a relatively high degree of welfare in an economic and social sense. The achievements of the polder model can be measured using indicators such as per capita income and the degree of income equality.

Prak and Van Zanden do not claim that the Netherlands has always been a polder-model society. However they suggest that for *most of the time* in its history the country can be considered to have had such a social and political system, meaning that decision-making was seldom imposed from above. Moreover, they do observe variations in the polder model over time. In their view, the polder model is not always the best system of government; there must be some kind of balance with a central and hierarchical power that is able to wrest decisions from above through threats or violent interventions (15-16). This conception of the polder model is an important step forwards with regard to more popular notions of *polderen* [meeting and consulting]; according to Prak and Van Zanden, the polder model only furthers economic development in interaction with a strong government, party, group or coalition that is able to take the lead. Although their argument is complicated, this nuance renders the book quite promising.

1 Maarten Prak and Jan Luiten van Zanden, *Nederland en het poldermodel. De economische en sociale geschiedenis van Nederland, 1000-2000* (Amsterdam: Bert Bakker, 2013, 328 pp., ISBN 9789035127807).

Theoretical concerns

Problems arise however, from the claim that the polder model was also good for the economy. Prak and Van Zanden's theoretical sources of inspiration for this claim are threefold: 1) Douglass North, John Wallis and Barry Weingast's *Violence and Social Orders* (2009), here abbreviated to NWW, 2) Daron Acemoglu and James Robinson's *Why Nations Fail* (2012), and 3) Robert Putnam's *Making Democracy Work: Civic Traditions in Modern Italy* (1993) and *Bowling Alone* (2000). Apart from Jan de Vries (whose notion of the modernity of the Dutch Republic is endorsed by the authors), these scholars are the only authors to appear in the book's index, which is an indication of the centrality of their models to Prak and Van Zanden's understanding of the Dutch polder model.

In Prak and Van Zanden's view, the Netherlands had already achieved an 'open access order' in the late medieval period. A term borrowed from NWW, the 'open access order' stands in opposition to the 'natural state'. In open access societies, according to NWW, elites are subject to the mechanisms of law and the market, while elites in natural order societies exploit political institutions to dominate other groups and divide the economic opportunities and benefits among themselves. In the first case, large groups in society are able to profit from market opportunities and innovations are possible, such as in most Western democracies from the mid-nineteenth century onwards. In turn, elites also profit from the open access order, since it furthers economic growth and enables efficient state formation. One might question the degree of 'openness' (Who really profits? Are there no classes? No racial and ethnic antagonisms? No gender divisions? Is the West always the Best? NWW do not deal with such questions)², but so far, so good.

More problematic is Prak and Van Zanden's interpretation of NWW's categories of the natural state. Prak and Van Zanden present the theory as a simple dichotomy: either open access or natural state. NWW also distinguish phases *within* natural states: fragile, basic and mature. The terms 'fragile' and 'basic' are less important for this discussion, but mature natural states are in a position to achieve the transition towards open access orders. Three 'doorstep conditions' are critical for this transition: 1) the rule of law for the elites, 2) organisations in the public and private spheres, and 3) consolidated control over the military, since access to the institutions of violence should not be open – on the contrary! As the title of their book suggests, central control over violence is crucial for natural states to achieve open access.

2 See the review symposium 'The State and Violence: A Discussion of *Violence and Social Orders*', *Perspectives on Politics* 8:1 (2010) 287-296, and the review by Catherine Goetze on <http://catherinegoetze.org/blog> (16 June 2012).

Let us now take a closer look at the actual characterisation of an open access order by NWW. On page 114 NWW mention the following features:

- 1 A widely held set of beliefs about the inclusion of and equality for all citizens.
- 2 Entry into economic, political, religious and educational activities without restraint.
- 3 Support for organisational forms in each activity that is open to all.
- 4 Rule of law enforced impartially for all citizens.
- 5 Impersonal exchange.

In NWW's view, the open access order is a fairly recent phenomenon, having emerged in the last 150 years or so. Nowadays, in fact, it only applies to a minority of the world, coinciding mostly with present-day Western democracies. Contrary to Prak and Van Zanden (17) however, NWW do *not* claim that England had already achieved an open access order in the eighteenth century. On the contrary, in their view, England was at that time still a natural state, albeit a mature natural state that was busy fulfilling the three doorstep conditions mentioned above. NWW put Britain on exactly the same footing as a host of other societies, including France and the Netherlands in the early modern period.

Prak and Van Zanden however, are obviously not satisfied with the term 'mature natural state' for the Netherlands before 1850, despite the fact that their description aligns more closely with NWW's category of a mature natural state than that of an open access order. Compare the five conditions mentioned above: can anyone truly believe that the Netherlands already hosted *shared beliefs about equality* in the late medieval and early modern period? *No restraints to economic, political, educational and religious activities?* *Impersonal exchange?* Meanwhile, Prak and Van Zanden elaborate on the number of societal associations and the fact that elites were subject to the law and the market, two of the three important threshold conditions that only few natural states achieved and that enabled them to accomplish the transition to open access order later on.³

3 Prak and Van Zanden have less to say on doorstep condition number 3, the consolidation of the military. This is a crucial element for NWW, but this benchmark had already been achieved by the end of the sixteenth century. See Olaf

van Nimwegen, *Deser landen krijchsvolck. Het Staatse leger en de militaire revoluties 1588-1688* (Amsterdam 2006) and Marjolein 't Hart, *The Dutch Wars of Independence: War and Commerce in the Netherlands, 1570-1680* (London 2014).

The second source of inspiration, Acemoglu and Robinson's *Why Nations Fail*, is more faithfully followed than NWW. Prak and Van Zanden rightly present Acemoglu and Robinson's thesis as a dichotomy. Institutions are either 'inclusive' or 'extractive', they do not observe any mixed constitutions. But surely, institutions are often both: for example, open for a white middle class and extractive for a black labouring class. Alas, unlike NWW, Acemoglu and Robinson do not present clear criteria for inclusiveness. Even on pages 429-430, which according to the index promises to list the characteristics, the authors merely repeat general and vague notions, such as that extractive institutions fail to encourage investments and innovations, that inclusive institutions bring about synergy, and that economic and political inclusiveness *should* go and indeed always *do* go together. Not all of the descriptions they use for inclusive institutions are really unique to inclusive institutions, such as the enforcement of property rights; extractive institutions, after all, also often enforce property rights, but only the 'wrong ones'. Acemoglu and Robinson tell stories about how some states developed (= they had inclusive institutions) and why others failed (= they had extractive institutions), but their analysis is unconvincing due to the absence of clear criteria. Acemoglu and Robinson also contend that since 1688-1689 England has constituted the first inclusive society in history. However, anyone familiar with English history will find it quite far-fetched to designate the Glorious Revolution as the moment when England suddenly ceased to be an extractive society and turned into an inclusive one. A major drawback of Acemoglu and Robinson's theory is that it cannot be falsified, in contrast to that of NWW.⁴

These weaknesses make the application of Acemoglu and Robinson's terminology to the history of the Netherlands in the medieval and early modern periods equally problematic. How inclusive was a society in which one needed money to become an inclusive member of a town (buying *burgerschap* [citizenship] status), or in which one had to belong to the right religion to be able to be elected to a town council or become a member of a guild, let alone belong to the right sex or the right family? 'Inclusive' is a deeply problematic term since Acemoglu and Robinson only use it as something that is either 'on' or 'off'. In all probability, the Netherlands was (and is) both an inclusive *and* an extractive society, but perhaps often somewhat more inclusive than extractive as compared to a host of other states.

4 See also the review by Francis Fukuyama, on <http://blogs.the-american-interest.com/fukuyama/2012/03/26/acemoglu-and-robinson-on-why-nations-fail/> (16 June 2013), in which he also complains about 'the neologisms that obscure more than they reveal'.

Prak and Van Zanden thus adopt terms used by NWW and Acemoglu and Robinson without making a critical assessment of what such terms really stand for, which impairs their analysis of the development of the Dutch polder model. For example, both NWW and Acemoglu and Robinson claim that natural states and extractive societies can also experience economic growth, albeit not in the long run.⁵ Prak and Van Zanden nevertheless assume that a momentary lack of economic growth in Dutch history must be ascribed to the temporary disappearance of the open access order or to a reduced degree of institutional inclusiveness, which is far too strict an interpretation.

The use of Robert Putnam's theory regarding social capital raises slightly different problems. In *Bowling Alone*, Putnam stressed the benefits of a vibrant civil society, blessed with many voluntary organisations, for political participation and the degree of democracy rather than for its effects on economic growth. However, in his study on Italy he noted that a strong civil society furthered economic development in the twentieth century, but not in the nineteenth. This leads to the intriguing conclusion that the polder model could sometimes, but not always, lead to economic growth, a finding that Prak and Van Zanden unfortunately do not follow up. In contrast with Putnam, Prak and Van Zanden do not clearly specify what they mean by 'civil society' (*maatschappelijk middenveld*, 23-24). In the late Middle Ages it seems to mean the ruling elites of the larger towns, of whom only a tiny fraction engaged in some sort of bargaining with the feudal lord. When a seemingly similar elite participated in politics in the nineteenth century, engaging in a seemingly similar form of limited bargaining with the king however, the authors do not appear to be referring to a *maatschappelijk middenveld* anymore. Such shifts in meaning make the distinction between 'elite' and 'middenveld' vague and undermine the analytical content of the book.

Another problem regarding the application of Putnam's theory concerns the different kinds of social capital. Putnam distinguished two categories of social capital: bridging and bonding. Bridging social capital is good for society; bonding social capital is good for a specific group only, and may be bad for society. Organisations with bridging social capital bring together people from different backgrounds and classes, resulting in differential exchange and extending networks. Bonding social capital unites the members of a specific group; these organisations in fact are not inclusive, but exclusive, and perhaps even extractive, since the members of bonding social capital groups are exclusively oriented towards their own profits.

5 Since neither of them specifies what is meant by 'the long run', this is a rather empty statement. In a debate, Acemoglu and Robinson accepted that the 'long run' might last for a very long time indeed, even centuries: for example, the

long periods of growth in Mayan or Chinese history. See http://www.foreignpolicy.com/articles/2013/03/12/what_bill_gates_got_wrong_about_why_nations_fail (16 June 2013).

Guilds and other corporate institutions usually constitute bonding social capital, which makes it rather difficult to speak of inclusive institutions in the Netherlands before 1800.

An elusive relationship

The conceptual framework that Prak and Van Zanden borrowed from various American authors thus is not applied in any consistent way. Moreover, the authors admit that it is not easy to demonstrate a statistically significant relation between economic prosperity and a particular model of society (272). If rigorous proof in a (social) scientific sense is not feasible, the question arises as to how else a plausible case might be made for the validity of the thesis on the relation between the polder model and economic development. Making international comparisons is one obvious option. Other practical methods might be to look for approximate rather than precise correlations, or to rely on the traditional ploy of historians: analysing sequences in time.

Regrettably international comparisons hardly figure in this book at all. Although the authors more than once hint at similarities between the Dutch Republic and the Swiss Confederacy (11, 112, 151), or between the northern and southern parts of the Low Countries, they do not make systematic comparisons that might bolster (or undermine) their argument. If the Dutch and the Swiss models of society were really so alike, did Switzerland in the seventeenth and eighteenth centuries reach a similar level of welfare to that in the Netherlands, and if not, why not? If the ‘organisational model’ in Flanders and Brabant in the sixteenth century was as ‘inclusive’ as the polder model in Holland or Zeeland (100-102), was the level of prosperity in the South after 1600 as high as that in the North, and if not, why not? Did the ‘inclusive’ model of society disappear in the Southern Netherlands? On page 280, Prak and Van Zanden suggest that Europe as a whole, thanks to its feudal tradition, has also long been wedded to the practice of *polderen*, without considering the implications of this statement for their claim about the relation between the polder model and economic growth. Has the whole of Europe always been as economically successful as the Netherlands?

Instead of making comparisons in space, the authors try to substantiate their thesis with reasoning based on approximate correlations and on analyses of sequences in time. History shows, they argue, that the Dutch economy suffered when the practice of *polderen* was temporarily suspended. When overambitious princes (King Philip II of Spain and King William I of the Netherlands) refused to play along in the polder-game, the consequences for the economy were unfavourable (24). However, the evidence does not support this claim. The Low Countries were hit by a severe economic crisis between 1566 and 1574 (125), but there is no evidence that this crisis was caused by King Philip’s disregard of the polder model. War in the Baltic, speculation in grain, civil

war, inundations and so on had a much more direct impact on the economy.⁶ The claim about the adverse economic effects of King William I's failure to follow the polder model does not stand up to close scrutiny either. After all, the period between 1820 and 1840 saw an 'impressive rate of economic expansion', perhaps even more so in the Northern Netherlands than in the Southern Netherlands.⁷ William's policies admittedly led to grave financial problems, but they also helped to lay the base for a solution, namely by introducing the Cultivation System in the Dutch East Indies, which yielded huge benefits for the Dutch treasury.

Analysis of sequences in time is also employed to support the principal thesis of the book. Prak and Van Zanden argue that the emergence of an embryonic polder model between c. 1000 and 1350 led to the growth of a modern market-economy, which further strengthened the polder model. The joint effect of these processes was almost continuous economic growth between c. 1350 and 1820 (281). However, they also contend that the polder model was unable to function effectively when the economy slowed down after about 1670, and that it had been largely dismantled by 1815. The entire 'civil society' of the Dutch Republic had been destroyed (163, 208-209).⁸ According to Prak and Van Zanden, the polder model was not revived until after 1870, when economic growth had been restored (210, 213). The chronological approach in short, reveals that this particular model of society was not very helpful once the economy ran into trouble and moreover, that it was apparently possible to get the economy moving forward again without it. Economic liberalisation proved to be a more effective remedy than a reintroduction of the polder model (218-220). The relationship between economic prosperity and a specific model of society turns out, once again, to be elusive.

6 Erich Kuttner, *Das Hungerjahr 1566* (Mannheim 1997); Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure and Perseverance of the Dutch Economy, 1500-1815* (Cambridge 1997) 201; Milja van Tielhof, *De Hollandse graanhandel, 1470-1570. Koren op de Amsterdamse molen* (The Hague 1995) 222-226.

7 Jan Luiten van Zanden and Arthur van Riel, *The Strictures of Inheritance: The Dutch Economy in the Nineteenth Century* (Princeton 2000) 188-189.

8 Which in itself is a rather questionable statement. For the continuity of civil society in the nineteenth century see, for example, W.W. Mijnhardt and A.J. Wichers (eds.), *Om*

het algemeen volksgeluk. Twee eeuwen particulier initiatief 1784-1874 (Edam 1984); Marco H.D. van Leeuwen, *Bijstand in Amsterdam c. 1800-1850* (Zwolle 1992); Joost van Genabeek, *Met vereende kracht risico's verzacht. De plaats van onderlinge hulp binnen negentiende-eeuwse particuliere regelingen van sociale zekerheid* (Amsterdam 1999); and Boudien de Vries, 'Voluntary Societies in the Netherlands, 1750-1900', in: Graeme Morton, Boudien de Vries and R.J. Morris (eds.), *Civil Society, Associations and Urban Places: Class, Nation and Culture in Nineteenth-Century Europe* (Aldershot 2006) 103-116.

Conclusion

According to the back cover of this book, the polder model was and is characteristic of the whole of Dutch society throughout its history. Fortunately, the authors' argument is much more nuanced than this. Prak and Van Zanden have made a commendable effort to present a new, theory-informed interpretation of the economic and social history of the Netherlands in the last millennium. However, the main thesis of the book – that the polder model was beneficial for economic development – is insufficiently supported. The conceptual framework is not consistently applied, and neither do the other approaches cited show very convincing results. The authors explain that when writing a book that covers a thousand years, they were compelled to make a selection from the potential subjects (24), but the topics they discuss do not substantiate their main thesis. Perhaps different choices would have resulted in a more thoroughly grounded interpretation of Dutch economic and social history. ◀

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