SOME PRECONDITIONS FOR INDUSTRIALIZATION IN WESTERN EUROPE RECONSIDERED: THE FORMATION OF NATIONAL ECONOMY, REVOLUTIONS AND ENTREPRENEURSHIP*

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I. Introduction

Needless to say, the historical experiences of industrialization and modernization in Western Europe have been and still are the longest studied and best known area within the discipline of economic history, so that each nation or period would serve us, mutatis mutandis, so well as a frame of reference in comparative study, which is the best asset given a historian. It has been the more so for us Japanese scholars, because we have been always conscious of and have referred to these models of the predecessor nations in the West, in order to elucidate the unique social and economic structure of Japanese industrial society, established as the consequence of Japan’s successful and swift industrialization despite her being in the midst of many nations fallen into colonial subordination. Thus it is in some ways embarrassing to limit my presentation on the theme, “Comparative Study of Socio-Economic Development in 18th–19th Century Western Europe”, to merely a few items among so many, no less important points of issue, which have been raised in our studies in economic history, or which the course of industrialization in the contemporary Third World sheds light on. But here I would rather occupy myself only with those problems concerning the preconditions or the frameworks for industrialization, and put them under some reconsiderations in the light of recent researches, not only because these have interested Japanese historians for most and so long, but also because these problems seem to me to tend to arrest less attention nowadays, while those concerning

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the process and mechanism itself of industrialization hold the main interest of the researches.

II. The Formation of National Economy

It would be in a sense a commonplace to say that every modern industrial society has been born only within the framework of a national state, thus a national economy. The German Historical School, from Friedrich List to Gustav Schmoller and Karl Bücher, which contributed so much to the rise of the study in economic history, has already focused its attention on this problem, reflecting bitter struggles for an economic independence of less developed nations against overwhelming British pressure. Still this occupies many historians and economists as a matter of course, all the more as young nations seek their economic independence by way of industrialization, expecting the state to play a role.

Yet, if we consider this national economy in the context of economic history, there arise the following three distinct problems, which correlate with each other, but correspond to their dimensions different respectively to some degree.

(1) Has the national economy been a constitutive factor in the rise of modern capitalism? Or, was it nothing other than a passing stage from a local and regional economy to European or world economy? May we conclude surely with historians like Fernand Braudel and Immanuel Wallerstein that the modern capitalism could emerge and develop itself only in a world system consisting of the core, the semi-periphery and the periphery?

(2) Should we see the history of European industrialization not as consisting of a cluster of separate national economies, but of a complex or an agglomeration of regional economies, often striding across political boundaries? This last point of view would be of the more interest for us in the hindsight of European post-war integration or the contemporary acute problems of regional disparity.

(3) Lastly, but of no less importance, what unique effects did the industrialization of some backward nations in Western Europe impress upon their “national economies” which came to perform an industrialization of some significance, as late as in the last quarter of the 19th Century when the predecessors powers had already established their hegemony in the world economy? In this respect we must keep in mind severe international competition and technological gaps which afflict every late industrializer, on one hand, and archaic regime not thoroughly reformed and stubbornly surviving, on the other.

Here, we shall deliver some brief comments seriatim on each of these
three problems.

(1). The National Economy in the Course of the Rise of Capitalism

Here, in order to make the implication of the problem clear, I would like at first to make a comparison between two Grenzfälle of economic development in the 18th Century: the Dutch Republic on one hand and Great Britain, the economy, of course, which accomplished the First Industrial Revolution, on the other. The former would be most conspicuous for her failure in the transition to modern industrial society, because, prima facie, according to every traditional and recent growth model, no country had been endowed with more favourable conditions for industrialization. The Dutch Republic saw a sudden rise “like a comet” to the foremost economic power in Europe towards the turn of the 17th Century to be the staple market of entire Europe and the most developed commercial and shipping country in Europe, while her industrial development lay by no means behind other first rank industrial centers. No country had been so rich in capital with a low rate of interest nor could have so easy an access to foreign markets. At the same time no society had been so urbanized—about 40–50% of total population lived in towns, which were still swelling with an enormous immigration from Germany, Belgium and several other quarters of Europe—, so that it seems that her economy felt no scarcity for a ready labour force for industry. As for the political regime Dutch society is said to have been most “bourgeoisificated”, i.e. the haute bourgeoisie of the large commercial cities had established their hegemony against the landed aristocracy, impeding any aspiration to found an absolute monarchy. Even on the countryside, the manorial system had long lost its place before an intensive rational farming by small peasants paying money rent. Lastly, as for her religious life, this Republic was one of the exceptional countries where the Calvinist Church could win its hegemony almost all over the land.

Nevertheless from the 18th Century on, her decline in economic position in Europe could escape noone’s eye. Recent works by the Dutch economic historians are more and more inclined to explain this decline not as an absolute, thus as a relative one, caused by the expansion of other economic powers taking advantages of protective policies. But it is hardly possible to attribute the crucial cause to protectionism, seeing that just in this period several new industry-districts on the Continent began to prosper without any substantial protection and rather with consistent exclusion from French or British markets. (Witness: the German Rhineland or Austrian Southern Netherlands, later Belgium.) In the last analysis, the ultimate and most decisive cause of her not keeping pace with the rapid expansion of European economy and of her losing her share consists in her economic foundation
and basis of her prosperity itself and her main interest. This is to say that the Dutch economy had been constructed upon the intermediary, "carrying trade" and formed no consolidated national economy. Thus the Dutch ruling class, foreign trader-patricians, was not only loath to risk its capital in fixed industrial business, but preserved the free trade system or high excise duties upon the necessities of life at the cost of inland industries which were destined to disappear in the face of severe international competition from the British, French and Belgian. Moreover, in respect to the effort to establish the settlement colonies or plantations in the West Indies, which were to supplement her narrow national market, the Dutch ruling class had been less ardent than she had been in her effort for the concessions in the East Indies. Thus the Dutch economy lost two strategic articles of trade for expanding European market in the 18th Century, viz. woollen textiles and colonial goods. It is well known that the Dutch capitalists gave up their commercial activities by and by to be rentiers in those situations, investing their assets in foreign countries including Great Britain. Yet the story of Dutch failure in industrialization is not fully told. The Dutch merchant class followed the dream of her former staple market even in the beginning of the 19th Century, when Holland united with Belgium to form the Kingdom of the Netherlands. On that occasion the Netherlands were at last given a chance to rebuild the economy as an industrial nation. Yet the Dutch merchant class, still a ruling interest in this new state, was not only indifferent to the industry, but struggled for the restoration of a free trade regime—just as Friedrich List put it so aptly, as "solcher Handel, welcher die innere Industrie vernichtet"—and thus caused a rebellion of the Belgians in 1830. Thereafter, the Dutch were long an underdeveloped nation amidst Western Europe, with a hypertrophy of town population of former trading centers. Her new history of industrialization had barely begun by the end of the 19th Century and was completed after World War II in the favourable new situation under the EEC.

So much for the Dutch economy, an "economy without national economy". By contrast, the British economy in the former half of the 18th Century was based on a balanced economic growth with several sectors sustaining each other, in spite of a marvellous expansion of foreign trade during the period here discussed. Almost every restriction which might have been placed on inland traffic or trade, such as inland tolls and excise regulations, was removed, and means of inland communication were so much improved as to unify her national market. Furthermore, in addition to these advantages, the standard of living and purchasing power of the middle and lower rank of population were significantly higher than those on the Continent, which constituted a stable market for her industrial goods. It is of special
importance in this context that the development of the productive powers in the agricultural sector had the effect, as the agricultural model by Paul Bairoch or studies by E. L. Jones and A. H. John well suggest, of enlarging the domestic market so significantly, by way of increasing demand for iron manufacture, on one hand, and of improving the real income of the common people so much as to increase the margin for the industrial goods like textile on the other, that it ignited the technological changes, which were diffused in this economic structure like a convolution resulting in the Industrial Revolution.\(^\text{10}\)

On the other hand, we may conclude with Paul Bairoch that the foreign trade could contribute to the enlargement of the demand in a lesser, supplementary degree, even though no one can deny the fact that the British overseas market saw in this period so remarkable an expansion, and that some branches of leading sector, especially the woollen and worsted industry came to depend constantly on the foreign market for about 50\% of her total sale. It is not only because the domestic demand did occupy a far greater share in the enlarging market with a more rapid advance, but also because this expansion of the British foreign trade itself owed by and large to an ever deepening international division of labour between the industrial Britain and other regions exporting primary goods, thus the British home market absorbing an enormous volume of agricultural products and industrial raw materials created in its turn a vast export market for the industrial goods.\(^\text{11}\)

Now, from what we have learned from the above-mentioned, two contrasting examples, we may induce some general conclusions. In the first place, the foreign market did play only a supplementary role in the enlargement of the demand for industrial goods against the domestic one, because, before the stage of large-scale machine production, few industrial export except certain luxurious or fine articles could penetrate deeply into the semi-self-sufficient economies, where all the handicrafts and textiles were home-made or at most supplied by local artisans. On the other hand, it is in the final analysis the development of the home market, above all of the mass demand of the common people, which caused and necessitated such a series of technological changes as would result in the Industrial Revolution. Secondly, a flourishing commercial capitalism by way of international intermediary trade, autonomous and independent of the industrial development, that is to say, such an economic development without forming a national economy, would rather have caused a retardation or failure in the transition to modern industrial society.
Now, turning our eyes from these two Grenzfälle in Western Europe to Continental Europe in general, we are faced with two problems which are connected with each other. In the first place, in almost every case, the political boundary of a national state did not coincide with the dimension of the national economy in the strict sense of the word. To say nothing of such cases as the former Habsburg Monarchy or Imperial Russia, where several potentially viable nationalities were put under one political sovereignty, almost every national state in Western Europe had not yet seen the maturity of a national economy when Great Britain started her Industrial Revolution, whereas a mosaic of semi-independent and self-sufficient local and regional economies could not easily be broken or integrated into national ones. It was of course especially so with Germany, politically divided into so many principalities and city-states, but it was as true with an economy like France, where several barriers, either administrative or geographical, and poor communication between the regions preserved local isolations. Yet to defend a tremendous pressure from Great Britain leading them with so large a margin in the course of the Industrial Revolution, each nation had recourse to a strong protective system outwards and to the removal of inland barriers in order to integrate the national economy prematurely, ultimately forcibly by way of railways. In spite of this forced integration of “inland economy”, there long remained independent regional economies, and the area of a national state in the early period was no other than a common market or customs union, whereas a heterogeneous economy like East-Elbian Prussia was integrated into this “national economy”, constituting a part in a sort of internal division of labour.

Nevertheless we must not forget that in spite of such frameworks of a “national economy” thus built, there had been so vigorous a movement on larger European scale, not only of goods but of capital, entrepreneurship, labour and technology. In this respect, the role played by two small, but economically highly developed nations like Belgium and Switzerland as intermediaries is noteworthy. Besides it is clearly discerned, as Professor Sidney Pollard stresses, when one glances at a map of Europe in the course of industrialization, noting the distribution of population, that there have been and still are several important over-national industrial districts formed beyond the boundary of states; witness to it, a large industrial complex from the Rhineland-Westphalia across Belgium to French Nord; the iron and steel making areas and coalfields of Luxemburg-Lorraine-Saar; Switzerland-South Germany (including some parts of Austria)-Alsace. To these we may add the district Saxony-Bohemia-Lusatia, or Upper Silesia (divided into German,
Austrian and Russian part). The border lines in these regions changed often, and economic policies of the states concerned greatly influenced, positively or negatively, the development of these regional economies. Yet the identities of the regional economy have never been lost, but have developed a vigorous intra-regional exchange of raw materials, energy and labour forces.¹⁰

Still does this in no way mean that we must cast out our national approach in European economic history, as each national state as such or “national economy” has been functioning as a monetary and financial unit, or as a formal domestic market area circumscribed with a customs duty as well as forming very framework, within which the economic policies, both internal and external, were struggled for. Thus in the last analysis, it would offer the greatest advantage to us—though it is a commonplace conclusion—to fit this regional-All-European approach adequately to traditional national one, rightly in the light of the experience in contemporary economic integration in Western Europe and with special reference to the struggles for the regional autonomy, especially by minority groups.

(3). The Deformed National Economies

Though this side of the national economy question perhaps has occupied the interest of Japanese economic historians, or for that matter students in the economic development of the Third World, longest and most, it seems that a direct comparison of West-European models to the Japanese case would inevitably give rise to some complicated difficulties. To this end the experiences of the more backward nation which came to be industrialized late in the Nineteenth Century, for example Imperial Russia under the Witte Regime from the 1890s on, would fit better. Here I would rather only give some points of issue. In the first place this economy had accomplished only limited agrarian reforms before they entered the industrialization, preserving large landownership besides the wretched peasant class with little or no land. This so distressful a standard of living of the large population, burdened still more with heavy state taxes, rent and redemption fees for their emancipation from serfdom, greatly depressed the home markets for industry, even though rural population furnished a pool for cheap labour. This explains, for the most part, the stagnant growth of consumption goods industries and the precocious drive for the foreign market or for the monopoly of a market by way of military occupation. Still the agricultural sector supported the national economies by exporting its products, say grain, in exchange for the industrial equipment necessary for industrialization and raw materials as well as by securing foreign exchange to pay the interest on or to refund the imported capital. Here not only did the dependence, financial and technologi-
cal, on predecessor economies in Western Europe continue, but the dualistic structure of national economy, with isolated modernized large-scale machine production towering on the extensive basis of archaic exploitation of small peasants or handicrafts, was rather strengthened.

In Western and Central Europe it had been East Elbian Germany—and most part of the former Habsburg Empire—which showed us those features in the economic structure more or less similar to the Russian up to the former half of the 19th Century. Yet this backward region of Germany was in the final analysis integrated into a single industrialized national economy by dint of a spectacular spurt in the industrial development in West Germany from the mid-century on.

In contrast, those countries lying in the Southern periphery of industrialized Western Europe like Italy and Spain dragged deeply into this Century their legacy of deformed national economy. Thus Italy could not succeed in building an industrial nation, in spite of her being beneficient of the Napoleonic reforms as well as her early starting in the cotton spinning industries in the Northern districts. Her agriculture had experienced no fundamental agrarian reform to promote an agricultural revolution and those miserable countryside with the *latifondi* and *mezzadria* continued to exist—not only in the Mezzogiorno but also in the North—so as to prevent her industries from enjoying an enlargement of the market. At the same time the free trade policy this country pursued on the political grounds exasperated the market situation for her industries, and even the railway boom in the third quarter of the 19th Century was performed by the foreign capital as well as imported materials, thus without any remarkable effects for her domestic industries. Under such circumstances Italy continued to be an importing nation of her industrial goods in exchange for agricultural products like raw silk and wine. So it is only from the 1890s on that she could launch some of the strategic sectors of her industries like engineering and ship-building under a strong protective tariffs and orders and subvention by the state and taking advantages of new energy of hydro-electric power.

Yet, while some nations in the Northern Europe (Sweden, the Netherlands, Denmark and Norway) succeeded in starting their modern economic growth somehow or other—by way of new industries or highly rationalized agriculture or shipping and so on—in earnest, taking advantages of new opportunities in the international division of labour or an over-all growth of income in Industrial Europe, why did the Mediterraneans fail in sharing this new surge? Of course we must here take into account so many a consideration like the demographic structure or resource position, and to answer this very important question of the comparative economic history seems to me to be no simple matter. Yet we should not look over one crucial point:
here the difference in the social structure, especially in the rural one, or for
that matter, difference in the cultural standard of each nation played some
decisive role.\textsuperscript{110}

III. The Revolutions and Entrepreneurship

Now we shall turn to the problems of Revolutions, the most radical
changes in social structure, and take up entrepreneurship in this context.
Almost everyone would agree in that the two great Revolutions, the English
Revolution starting with the Puritan Revolution ending with the Glorious
Revolution on one hand, and the French Revolution and the Napoleonic
Regime succeeding it on the other, constitute the most significant watershed
in the history of modernization in Western Europe. Surely these two Revolu-
tions impressed a character of civic individualism upon these societies and
rooted deeply a tradition of political democratization, which contrasted signi-
ficantly both with the authoritarian society of Imperial Germany which
experienced the aborted March Revolution of 1848 and even more strongly
with the more backward nations like Czarist Russia, other East-Central-
European states and Japan, which were left with more or less serious legacies
from an \textit{ancien régime}. So it is with a good reason that these two Revolu-
tions are treated as the “classical bourgeois revolutions”, the political process
and ideological background of which have interested many historians so
much. Moreover, what the implications of these Revolutions were for indus-
trialization or for preparing the way for the Industrial Revolution, seems,
\textit{prima facie}, obvious; these Revolutions not only assured private property
in full, but also created some most important preconditions for private econo-
ice activities: economic freedom, \textit{inter alia} entrepreneurial freedom (\textit{Gewer-
befreiheit}) and an internally and externally formed framework of national
economy.

The British socio-political regime established ultimately by the Glorious
Revolution was, without any doubt, the most suitable and stable one to pre-
pare the way for the economic development which led to the Industrial
Revolution, because the victory of the Parliament as well as an extensive
local government—of course consisting of the oligarchy of men of property,
\textit{i.e.}, rich landlords and bourgeoisie—and of the common law court over the
prerogative jurisdiction of the King rendered intervention or regulation in
field of economy no longer possible. Indeed, almost all the industrial and
agrarian regulations promulgated in the 16th Century had become ineffectual
in the 18th Century; in sum economic freedom was established in the begin-
ing of the 18th Century. In these circumstances many yeomen and small
peasant farmers lost their competition to large landlords and capitalist-farmers,
which caused an undeniable promotion in agricultural productivity as men-
tioned above. Yet the economic freedom itself by no means guarantees the genesis of the subjective carriers-out of economic development: the entrepreneurs, who, responsive to the economic opportunities given, perform positively the technological and organizational innovations. In this respect, the British milieu and social value system borne out by the Glorious Revolution seem to be so favourable to it; thus the break down of the autocracy of the Stuart dynasty eliminated status barriers, formal or informal, to social mobility, and with it social bias against business. Thus even the younger sons of gentry or aristocratic families could enter business to build estates without any official derogation or informal sanction, while the way of upper class was open to success in business. In these circumstances not only did a lot of persons among the rising stratum of lower industrial middle class grasp the chances to enlarge their firms by way of ploughing back their modest profit, but also many able *hominés novi* could be recruited into private industrial and commercial ventures, who could be supplied with their capital necessary to them by way of partnership, lease of industrial accommodations and credit. One can find so many famous examples from the Derbys to Watt and Arkwright in the period of the Industrial Revolution.10

Across the Channel, the French Revolution accomplished its reforms so radically and systematically, that they are often referred to as the standards of bourgeois revolution, especially when compared with those not thoroughgoing ones in Germany, Russia or in Japan; thus it abolished in the years from 1789 to 1794 all the feudal and seigneurial rights without any burden of redemption upon the peasants to assure the full property right to their holdings. At the same time all the guilds and industrial regulations were abolished together with the privileges of some enterprises. In addition, the notorious inland tolls and excises of the tax-farming system were removed, and national territory was administratively unified. Finally, the free trade system with Great Britain established by the Treaty of Eden of 1786 was abolished at once in favour of a protective system. Of course the French Revolution itself never intended any redistribution of land to landless poor tenants and labourers, but in effect the sales of the nationalized estates contributed greatly to the acquisition of land by many small peasants and landless tenants.

But from the point of view of economic development, French performance had been modest, despite the above mentioned reforms, apparently more radical and systematic than the British ones. Thus the effective unification of the French national economy went on only slowly, and the mechanism of free economic competition could not function so effectively as not to allow the swarm of small, ineffective industrial firms feeding on the isolated local markets to survive, which damped the impulse to enlarge the scale and
to concentrate the production. In agriculture too, though the peasant class was entirely freed of the feudal burden and given full property of land, there could not be seen any noticeable advance in introduction of new techniques beyond the traditional lines, nor in the abolishment of the three fields system and in enclosure of commons; the French countryside, so to speak, had been frozen. Thus agricultural productivity had never seen any remarkable growth which might have reassured the expansion of the market for the industrial goods. Furthermore, French industrialists had been not so eager to absorb the technologies that the British Industrial Revolutions had developed, preserved instead out-dated equipment, though newer technologies were easily obtainable after the dissolution of the Continental System from 1815 on, so that the gap of the productive power between Great Britain and France tended to enlarge in the course of the first half of the 19th Century. Even though the French gained the lead as the second largest industrial power in Europe, ahead the Germans by a considerable margin, the latter caught her up, starting from a point far below, to pass over at least by the 1870s.

Why has France seen such industrial stagnation in spite of her record in political and institutional reform? To this paradoxical question, of course, there can be several answers. It is often pointed out that France's poor endowment of natural resources, especially of coal was the major deterrent to her industrial development. Yet we cannot explain the whole story from this simple consideration. Some stress that, not only did the Revolutionary upheavals and the Napoleonic Wars distort the normal course of economic development, but the individualism itself established by the Revolution, particularly that firm landownership by peasantry, was unfavourable for the mobilization of the labor force or for the formation of capital; or French bourgeoisie, which came to power in place of aristocracy is said to have obtained access to many opportunities, such as positions in state politics and bureaucracy, landed estates and professions, thus to have come to be less interested in industrial activities. Still we must remember the enormous stimulus the French Revolution gave to the industrial development in Belgium or on the left bank of the German Rhineland, the départements réunis annexed to France under the Napoleonic Empire; or it always remind us that areas like German South West, where the peasantry had to redeem seigneurial rights, or East-Elbian Prussia, where the Erbuntertanen lost their substantial part of holdings in order to obtain their personal freedom in the course of the reform from 1807 on, saw far unfavourable condition for the industrial development, as those burdens upon the peasantry deprived them of the fund to improve their farming as well as reduced the domestic market for industrial goods.
Now it is the Harvard School, especially of D. S. Landes and J. E. Sawyer, to have stressed since the 1950s the shortcomings of French entrepreneurship throughout all of the period concerned and up to World War II, as the crucial factor of retardation. According to this position, the overwhelming majority of French enterprises belonged to family firms which were intermingled inseparably with the maison, no other than means to maintain such a family and familial estates; there, safety had been overvalued and risk-taking behavior was seen too much as dangerous; the outside credit was looked upon as a threat to the independence of firm, thus the last recourse in extremis; following such a management policy, every family firm preferred maximizing its profit by way of operating old equipment as long as possible to taking advantage of new technology and thus of new economic opportunities. On the other hand, France had still preserved even after the Revolution an atmosphere unfavourable to free competition and holding business in low esteem, whereas the aristocratic social value system which prevailed under the ancien régime rather than the bourgeois one scarcely weakened itself. There, thoroughgoing competition destroying weaker rivals should have invited an informal social sanction and retaliation, so that even the powerful effective big business would have preferred a symbiosis with a swarm of small and medium enterprises to cut-throat competition. Such a constitution was reinforced by the social consensus to preserve the social equilibrium by the protective measures outwards at the cost of economic growth. Under these circumstances, French industries could not easily obtain outside genius and capital, but instead always suffered from the drainage thereof to land, commerce and professions.  

As for the existence of such features in French entrepreneurship there would be no major difference in opinion, setting aside some of the spectrum in the evaluation thereof. It is, however, no simple matter to answer the question whether or not these entrepreneurial shortcomings are the cause, or the effect of a retarded economic development to be got rid of with a big spurt. Or, can one say with Dr. Tom Kemp that these social value systems merely reflect those of rural population remaining in agriculture stubbornly? Yet this huge population in this sector can be said as the result of slowly developing industries.

In this respect one may think of the contrast between the economic ethics of Catholicism and Protestantism, say the Calvinist or the Mennonites. But here the problem seems to be far more complicated than the model by Max Weber for the 17th and 18th Century England and North America; in France the ethos of Catholic religion contributed without fail to reinforce the social value system; but the contrast between the religious groups in the industrial or other economic interest shows so intricated an image to be clear
cut, just like that between the Catholic industrialists in the Nord on one hand, and the *hautes banques protestantes* or the Alsatian fabricants on the other. Beyond the border of France, in the German Rhineland, where the minority group protestants in the predominantly Catholic society sent out most of entrepreneurs, far more enterprising than the French, even in the unfavourable situations, it is well known that such entrepreneurs, especially those in textiles and fine paper manufacture, had been the stronghold of small family firms or the partnerships within a in-group of co-religionists.

If one would try to stand up to the huge and fundamental problems, it should without fail claim not only some detailed case studies in French, or, for that matter, in comparative entrepreneurial history, but also full-scale researches in the social character of French *bourgeoise* or in the linkage between the rising capitalism in France and the Revolution. Here I only would add another approach to this from a comparative point of view, viz. the comparison between France on one hand, and Belgium and the German Rhineland on the other.

At the outset, it is necessary to confirm that the British way of the industrial development and the structure of enterprise had become no more suitable on the Continent, where the severe British competition and the consequent low level of profit hindered the industrialist in their accumulation of capital enough to install modern equipment comparable to that of the British. In the face of this vicious circle to be escaped from, the only way left was to concentrate and mobilize what funds were left idle in society and to channel them into the industries by way of promotion of joint-stock companies and corporate investment banks to sustain them by accepting and floating shares or by offering long term credit to them. Besides the railway construction played thereby an important role as integrating the mosaic of internal regional markets as well as stimulating the heavy and the engineering industries with a huge demand. In this respect, the French had shown a poor performance in contrast to Belgians.

Now, why could only the Belgians break through this pass as early as in the 1830s to close the gap with the British, and succeed in being a "culture medium" on the Continent of the industrial technology to be diffused throughout Europe, by exporting not only capital, but also entrepreneurship and skilled labour to less developed nations?

The structure of enterprise in this nation had borne no distinctly different feature from that in France until the Independence of 1830. Belgium had seen, towards the end of the *ancien régime*, her significant rural industries flourishing, and after the incorporation into the French Empire in 1795, she had enjoyed every benefit of reforms of the French Revolution applied in full; enjoying free access to a large market opened to her within the highly
protected France or in the Kingdom of Italy under French suzerainty, she rushed into the Industrial Revolution to become one of the most developed industrial districts in the Napoleonic Period. But cut off from France as the result of the Congress of Vienna in 1815 and united with the Dutch to form the Kingdom of the Netherlands, the Belgians and their industries were suffering so severely from the competition with the British, whereas the government of King William I, a new version of enlightened despotism, had been more influenced by the leading interest, Dutch commercial and financial capital, following the policy of free trade, as well as laying a heavy burden of grain and meat excises upon the Belgians. The discontent caused by these economic policies led to the Revolution of Independence in 1830. As a result, the Belgian bourgeoisie succeeded in establishing a most perfect bourgeois-liberal parliamentary monarchy, of course excluding the petit-bourgeoisie and peasants, to say nothing of labourers, completely from the political power. Yet this new born small country had to confront a serious economic crisis as the Independence meant a loss of the inland market in the Northern half of the former Kingdom as well as the Dutch colonial one, which made uncertain whether or not this national economy would be viable. What would have been the most desirable for the Belgian industries was, of course, the customs union with France, which, if realized, would have changed the course of the economic development on both sides. This project was, naturally, to face several strong objections not only from powers like Great Britain and Prussia, but from within France, especially from her industrialists, to be designated in the last analysis.

Under such circumstances, the Belgian government started to construct a state railway network, although it abstained elsewhere from intervening in the economy as a reaction to the former regime, the cost of which was financed in London market under the co-operation of the London Rothschilds. Still more, the most influential of the Belgian financial institutions, the Société Générale de Belgique, not only launched into salvation of many firms in coal-mining and iron industry fallen into bankruptcy in the crisis after the Independence, but engaged itself with inaugurating several iron and engineering works and collieries with modernized technology in joint-stock form as well as reorganizing the private ventures into corporations, by taking over the shares and bonds or helping them to float while granting them long-term credits. It is worth while to note that this bank had originally been a bank of issue and continued to be so. The bank had been projected by Brussel financiers as a private one, but King William I intervened in this program to press this organ into the service of government finance. After the Independence, it is natural, this corporation was put under a strong suspicion as a Dutch interest because of its intimate connection with William I, thus
it was all the more necessary to pursue its *vocation nationale* under the new governor Ferdinand Meeus, a devoted disciple of Saint Simon. Moreover the *Banque de Belgique* was established in 1835 as a counter-balance to this formidable financial power, even a state in the state, 50-60% of capital of which is said to be French. This rival of the *Société Générale* followed its suit to form another *Konzernunternehmung* controlling many industrial joint-stock companies.\(^{20}\)

In such ways, Belgium managed to complete her Industrial Revolution as early as towards the end of the 1830s, and, overcoming the economic crisis, succeeded in making her economy viable and broke through the bottleneck in economic development. Thereby, it is noteworthy that Belgium did not, in the last analysis, abolish a powerful financial organization like the *Société Générale* which had been a organ with a deep connection with the Dutch King, in spite of a bitter attack both form the conservative Catholics and the radical liberals after the Independence. Likewise, the Belgian government never suppressed the inauguration of the joint-stock companies in industries or in investment banking, though the concession of the government was necessary for it and sometimes the government intervened in the articles of the companies; which was quite different from the situation in France, or, though for a different reason, from that in Germany. In sum in Belgium, where industries were suffering bitterly from the technological gap with the British and where it was no use to keep her inland market too narrow for her industrial capacity, with a prohibitive system, the ideals of the free competition or the fear for the monopoly against the joint-stock company lost to this urgent national condition. On the other hand the Belgians had no need to conquer the stubborn resistances of the *hautes banques* or interest in intermediary and colonial trade against the investment banks, as Belgium had been put, under the *ancien régime*, under an extremely unfavourable condition, because every power like the British or the Dutch tried to discourage the Belgians' activities to rival them in such fields; besides, the Belgian landed class and aristocrats seem to all appearances to be no antagonist to industrial interest more.\(^{20}\)

Now, it is well known that the German Rhenish bourgeoisie had been eager in the 1840s on the eve of the March Revolution, not only for the parliamentary liberal regime like the Belgians, but also for establishing the investment banking system and joint-stock companies after the Belgian model. Still in the face of obstinate hindrance to it by way of the Prussian government in favour of landed junker class or for the Royal Prussian Bank to monopolize the fund, it was only after the Revolution made a loophole in this regime and the economic crisis obliged the government to let the activity of such a bank to go on, that the German investment banking and joint-
stock companies in heavy industries and coal-mining started in full scale. On the other hand, France continued to be a political power strong enough to keep the prohibitive system even after the Restoration, so that there had been no critical situation suffering from the British competition for the moment, preserving so many a small firms at the cost of development, while the French government had been impeding, in favour of the hautes banques as well as influenced by the anti-monopoly sentiments of small producers, any demand for industrial incorporation or a concession for the investment bank. Of course, the establishment of the Crédit Mobilier improved the situation considerably, but its activities were obliged to be limited mainly to the field of the railway companies or the development in foreign countries, as the most of French business, owned and run by family groups still rejected any intervention of the bank initiatives.

In short the low performance in French entrepreneurship can be looked upon as the contribution of a complex of several social and political forces, some of which are the direct result of the French Revolution, some a survival of the ancien régime, by impeding free activities and rapid capital accumulation by way of investment banking and joint-stock companies.

Thus far we have occupied ourselves with some significant points of issue about the relationship between entrepreneurship and socio-political changes. Yet, one may point out, there still remains one more, of no less importance, around this. Had the socio-political regime under the Second Reich, in which there remained so much to be reformed from the standard of a modern democratic society, any positive implication to the spectacular German achievement in entrepreneurial activities and high esteem in technology, in contrast to the poor or modest record by the British? Can one admit that the Germans could perform such development in the face of the deterrents under such a regime, or in the other word, could German entrepreneurship have enjoyed a more dynamic development, if the the March Revolution had established a more liberal and democratic regime like the Belgians? To answer this question, no less difficult as well as paradoxical, there remain much to be studied, analysed and compared with the British or the American counterparts.

Now, recent researches in economic history have contributed a good deal to enriching and refining our knowledge of material preconditions and purely economic mechanism of industrialization. Yet this does by no means deny the importance of those preconditions here discussed as constitutive factors of the frame of reference which the economic history of the modernization and industrial development in Western Europe is expected to play.
Notes


(2) Among so many recent literatures, see especially, J. De Vries, *The Dutch Rural Economy in the Golden Age 1500-1700* (New Haven, 1974); J. H. van Stuijvenberg, (ed.), *De economische Geschiedenis van Nederland* (Groningen, 1977), chaps. 2 and 3; *Algemene Geschiedenis der Nederlanden*, Voi. 7 (Bussum, 1980), chaps. 1, 3, 5 and 7.


Here we must remember the contrast with the destination of another commercial nation in the 17th-18th Century Europe, Switzerland, which had been keeping her rural industries, especially the cotton manufacture in the Zürcher Oberland and ribbon weaving in Basle district, and came to one of the most developed industrial nations after the Industrial Revolution. On this point, see, *inter alia*, A. Bürgin, “The Growth of the Swiss National Economy”, in H. G. Aitkin, (ed.), *The State and Economic Growth* (New York, 1959), 213-36.


(8) Cf. H. R. C. Wright, *Free Trade and Protectionism in the Netherlands 1815-


Such a reluctant attitude towards the new industrial activities had been by no means unique one of the Dutch merchant class, but in common with several great commercial centers like Hamburg, Bristol or Nantes. This problem should be taken up in broader context, viz., in reference to the role of commercial capital in the genesis of modern capitalism. Cf. H. Otsuka, “The Role of Merchants in the Development of Modern Capitalism—A Sociological Introduction”, in his The Spirit of Capitalism: Max Weber Thesis in an Economic Historical Perspective (Tokyo, 1982), 3-35.


(14) e.g., see, Barkhausen, op. cit., 186ff., 216ff.; F. Hellwig, “Wirtschaftsentwicklung und Grenzen im Raum Saarland-Lothringen-Luxemburg”, Blätter für deutsche Landesgeschichte, CXI (1975), 159-71; W. Dlugoborski, “Wirtschaftliche Region und politische Grenzen: Die Industrialisierung des oberschlesischen Kohlenbeckens”, in S. Pollard, (ed.), Region und Industrialisierung (Göttingen, 1980), 142-74. Among so many entrepreneurs, who were conspicuous for their industrial activity across the boundary of states, the Cockerills would be the best example.

As for the rise of an industrial region across the national boundary, we can observe two different ways. On the one hand, some industrial regions, like Belgo-German border or Saarlandish-Lorraine district, were originally divided into many
small principalities or enclaves without any serious deterrents to the inter-
territorial activities. On the other hand in some cases, for instance, with Swiss-
Alsatian-South-German triangle or Austrian Vorarlberg, it was because the Swiss
and Alsatian industrialists tried to get astride the tariff barrier and to transplant
their factories in Germany and Austria. On this point and as for the complicated
entanglement of regional and national economy, see, W. Zorn, “L’industrialisation
de l’Allemagne du Sud au XIXe siècle”, in P. Léon et al., (eds.), L’Industrialisation
en Europe au XIXe Siècle (Paris, 1972), 379-92 and F. Kistler, Die wirtschaftlichen

(15) As for the discussion about the characteristics of the late industrializer in
“European periphery”, see I. T. Berend and G. Ránk, The European Periphery
and Industrialization 1780–1914 (Cambridge U.P., 1982); also C. Trebilcock, The
Industrialisation of the Continental Powers 1780–1914 (London, 1981), chaps. 4,
5 and 6; Pollard, Peaceful Conquest, chap. 6.

Furthermore, cf., chapters on Italy by L. Cafagna and on Spain by J. Nadal in

(16) A classical literature on this problem remains H. Levy, Der Wirtschaftsliber-
alisimus in England, 2nd enlarged ed. (Jena, 1928), Erster Teil. As an excellent
comparison between the post-revolutionary British society and the French under
the ancien régime, see, B. Hoselitz, “Entrepreneurship and Capital Formation in
France and Britain since 1700”, in M. Abramovitz, (ed.), Capital Formation and
Economic Growth: A Conference of the Universities National Bureau Committee

structure of French agriculture, see, M. Morineau, Les faux-semblants d’un
démarrage économique: agriculture et démographie en France au XVIIIe siècle
in the Nineteenth-Century France”, Journal of Economic History, XXXIII (1973),
697–730; G. W. Grantham, “The Diffusion of the New Husbandry in Northern
France, 1815–1840”, ibid. XXXVIII (1978), 311–37; C. Heywood, “The Role of the
Peasantry in French industrialization, 1815–80”, Economic History Review, 2nd
Ser., XXXIV (1981), 359–75.

In their newest survey article (“French Economic Growth: A Radical Revi-
sion”, Social Science History, VII, 1983, 3–30), Professors R. Cameron and C. E.
Freedeman argue that in the light of the growth rate of income per capita,
French economy during the half century before World War I revealed no stagna-
tion nor retardation compared with the British or the German. Although these
data here shown suggest that average standard of living of French people has
remained by no means below that of the British or the German throughout the
period here discussed, and should be adequately analysed in the general context,
yet we must be aware that on the level of GNP, both in absolute terms and in
the light of growth rate, there had laid a considerable gap between the British
economy and the French in the former half of the 19th Century or as against
the German in the first decade of the 20th Century.

Now it has been once contended by some economic historians (e.g., R.
Cameron, “Economic Growth and Stagnation in France, 1815–1914”, Journal of
that the unfavourable resource position, especially that of coal, should have been the chief deterrent of French industrial development. Yet her industrial regions like the Nord or Normandy could have been supplied with cheap British or Belgian coal abundantly but for her astonishingly high protective duty; on the other hand it has been Alsatian—or for that matter Swiss—cotton industry, who could perform best achievement on the Continent, in spite of its handicap in coal supply. Furthermore, France had paid no great effort in the early stage of her Industrial Revolution to overcome the handicap of high transport cost of coal by way of railway construction.


It is worth noting that the orthodox stream of French Calvinists, minority group of the Huguenots in the Midi, had seen no major contribution in industrial activities but some local woollen and silk manufactures even after their emanci-
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pation. Cf. É. Léonard, “Économie et religion : Les protestants français au XVIIIe siècle”, *Annales d'Histoire Sociales*, II (1940), 5-20; do., *Le Protestant français* (Paris, 1953), pp. 203-4. By contrast, the most conspicuous industrial achievement, the case with the Mulhousian industrialists, should be understood as a heritage of the German-Swiss Calvinism.


Of course, we can find some distinguished examples among the industrial leaders in the Ruhr heavy industries, like the Hoesch and the Mannesmanns, who came out of the old local calvinist-industrialist families. Cf. J. Hashagen, *Geschichte der Familie Hoesch*, 2 vols (Köln, 1911-1916). Yet we must remember, on the other hand, the contribution of a Catholic like Gustav Mevissen or a Jew like Salomon Oppenheim in this field. On the whole it seems that the Rhenish Lutherans played as important a role in industrialization as the Calvinists, partly because they were socially and politically discriminated as well as the Calvinists were, and they were strongly influenced by the Calvinism.


(26) By contrast, such a favoritism as shown under the Dutch regime in granting state subsidies and long term credits to specified enterprises, had been fiercely attacked by the Belgian industrialists. See, Demoulin, *op. cit.*, pp. 164-9.


As for the efforts by the Rhenish industrial leaders for the investment banking, see J. Hansen, *Gustav von Mevissen: Ein rheinisches Lebensbild, 1815–1899* (Berlin, 1906), I, 370–81, II, 525 ff. It must be kept in mind that the Rhenish industrialists originally wished to construct a state railway network like the Belgian, but the Prussian government never accepted such a request. Thus promoting activity of railway companies had necessarily absorbed most of the fund available, sometimes the aid of foreign capital like the Belgian. Cf. T. Tilly, *Financial Institutions and Industrialization in the Rhineland 1815–1870* (Maddison, 1966), p. 94.; K. Kumpmann, *Die Entstehung der rheinischen Eisenbahngesellschaft* (Essen, 1910), pp. 65–6, 205.

Whereas in Belgium cotton and other textile industries were almost immune from the promoting activity of large investment banks, this field itself became one of main targets of the promotion of the joint-stock enterprises of young German investment banks from 1848 to 1870. Cf. M. Pohl, “Die Entwicklung des deutschen Bankwesens zwischen 1848 und 1870”, in *Deutsche Bankgeschichte*, II (Frankfurt a.M., 1982), 189–94.