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The emergence of capitalism and the first  
industrial revolution in Western Europe in the  
17<sup>th</sup> to the 19<sup>th</sup> centuries



# 1-Introduction

The Industrial Revolution was a major milestone in the history of humankind. Societies in Western Europe started to experiment unprecedented economic growth and every aspect of human life changed dramatically. In some regions, such as Sung China, the Roman Empire, medieval Italy, there was some real growth in GDP per capita. However, this was wiped out within one or two generations (Zanden, 2009). This is the chief aspect that marks the onset of The Industrial Revolution; economic growth became permanent and somewhat self-sustainable (Hobsbawn, 1969)

It was not a revolution in the broad sense of the word, but rather a progressive transformation that altered the very fabrics of European society. In this essay I will discuss that that change came about, especially in Northern Europe, due to the advances of Protestantism which shook up the traditional foundations of the Old Continent. First, I describe how the society was organised during medieval times. Secondly I set out how this different approach to religion cemented that far-reaching shift in economic life. Thirdly, I present the positive relation between The Enlightenment and the Industrial Revolution and its link to the mentality change ushered in by Protestantism. Finally, I describe how the factories, an element hitherto inexistent, started to be a very important part of the European society fuelling even further the transformation already set in motion. This paper finishes with a conclusion.

## 2-Organisation of society before the industrial revolution

Struggle for existence is perhaps the best sentence the daily conditions in pre-industrial societies can be described with (Heilbroner and Milberg, 2012). This struggle to provide the daily sustenance is what defines the economic structure of a society. Before the Industrial Revolution, humanity's main activity was agriculture. Peasantry during pre-industrial times were not interested in searching for new methods for harvesting, new available technologies, or how they could best sell their merchandise in the market. Instead they were bound by a set of traditional rules, interested not in producing for a market, but for their own families and handing over a portion of their harvest to the lord of the land (Heilbroner and Milberg, 2012). These features, although existent during antiquity, were intensified with the fall of Rome. This gave way to insecurity in formerly beaten tracks, destroying the trade network within the Roman Empire and bringing about autarky. The breaking-up of the Roman Empire also shattered the political and institutional unity that had governed Western Europe, for there was not a single language, no single currency, no coordinated central government and no unified law system. All of these factors led undoubtedly to a retrograde movement (Zanden, 2009).

Then, a set of events were set into motion. First, the power vacuum left by the Roman Empire was gradually filled by the traditional structure of the Church, which had a predominant role during the entire Middle Ages (Zanden, 2009). Second, the destruction of trade networks, together with insecurity and constant wars, paved the way to what Heilbroner and Milberg (2012, p.21) call “[...] sheer survival through self-sufficiency.” The fall of Rome ushered in the birth of *feudalism*, through which societies were organised during the Middle Ages until practically the beginning of the *Renaissance* (Heilbroner and Milberg, 2012). The isolation from other communities and regions that followed the aforementioned historic event also marked the beginning of the basic unit within the feudal society: the manorial state.

The manorial state was a piece of land on which the poor medieval peasantry toiled under the orders of the lord, (be the lord a secular subject, such as a baron, or a spiritual one, such as a bishop). Certain rights such as justice, protection and administration activities were delivered by the lord himself (Heilbroner and Milberg, 2012). Yet serfdom (the main status of the labour force during the Middle Ages) also entailed a set of obligations: labourers were linked to the land of the manor, and therefore to the lord, they could not go freely to another manor without their lord's leave, and usually a payment. They also had to work the land of the lord, and hand over a part of their harvest to him. Their free time could be thus dedicated to cultivate their "own" land (it also belonged to the lord, but they could use the yield to feed their families (Heilbroner and Milberg, 2012). This relation, although exploitative, must be seen as one of reciprocal advantage, the lord providing protection and security from the brutal, warring outside world, the serfs providing work. As Heilbroner and Milberg (2012, p.23) put in "each provided for the other services essential for existence in a world where overall political organization and stability had virtually disappeared".

One of the most striking aspects of manorial life was the *quasi* absence of money given the virtually non-existence of commerce. The manorial state supplied itself with everything it needed, yet it had to have some minor monetary links with the outside world, be it the purchase of cloths with Italian merchants or spices with Middle Eastern traders. Such exchanges were to take place in town fairs, offering a special occasion which momentarily fragmented the stillness and traditionalism of feudal life (Heilbroner and Milberg, 2012).

Guilds also had an important role in medieval society. No one could set-up a business unless that person belonged to the guild. They regulated production, competition, wages, work conditions and social conduct.

To conclude this point, pre-industrial society was chiefly characterised by custom, non-free labour, practically no trade and essentially non-money transactions. All of it framed in a context where Catholicism had the last say in all the matters.

### 3-The protestant ethic

This point is perhaps the most important in this paper, inasmuch it could explain how the aforementioned society changed dramatically, setting the foundations for the Industrial Revolution. This wave of new religion thought originated in the 16<sup>th</sup> and 17<sup>th</sup> centuries. Weber (2011) claimed that the protestant ethic placed efficient work and profit in the middle of the doctrine, and that the spirit of capitalism, and thus its origin, must have a religious source.

Catholicism upheld an extremely negative view of merchants and entrepreneurs in general. According to the catholic dogma, the lust for earthly gains from this group of people endangered the soul of those close to them (Weber, 2011). As a result, it is not strange that trade and the use of money (aspects very important within a capitalist society) were almost null during the Middle Ages. On the other hand, protestant thought made labour something sacred, divine, a call by God Himself into salvation. Anyone who was able to adopt a methodical approach to work was proof of God's approval and sign of salvation. In other words, worldly success became a self-assurance of redemption (Weber, 2011). Thus, wealth acquired a new dimension, evidence that would assure them that they were among the chosen. This is undoubtedly against the previous Catholic view in which riches were seen as worldly, unworthy of those who will enter the Kingdom of God. This new approach to work also meant a virtuous conduct, taming the instincts of our human imperfection and using the money hardily earned productively and efficiently (Weber, 2011). Professions such as merchants and entrepreneurs, which were known to be innovators and profit-seeking people, were consequently decriminalised religiously-wise. Therefore a new work culture started to penetrate, gradually but unfalteringly, the medieval society of northern Europe, such as England, the Dutch Republic and even the English colonies in North America. Money also began to gain importance in this newly created culture, as commerce expanded and self-sufficiency faded away. It is not strange to affirm that the most developed economies in the world are nowadays those countries that first embraced the protestant ethic.

The birth of capitalism, to say, the value of work, increase in capital and investing money to earn even more returns and avoiding enjoyment of it became the new religious paradigm in the societies that espoused Protestantism.

It is precisely this change in how work is valued *versus* leisure that created a more elastic labour supply (de Vries, 2008). For instance, protestant reforms increased working hours in cities like London as much as 40 percent during the 18<sup>th</sup> and 19<sup>th</sup> centuries, mainly due to a reduction in holy days (de Vries, 2008). Accompanying this modification in labour supply, de Vries argues for a change in household behaviour toward marketed-goods that changed how leisure time was spent. The economy changed towards a cash-driven system where marketable goods were in high demand. The combination of both effects gave room to the following: firstly, leisure time was converted into labour income and secondly, the latter was used to buy what de Vries called ‘Z-commodities’ (education, nutrition, health products, household equipment and merchandise from other countries). As Stuart (cited in de Vries, 2011, p.259) said “men are forced to labour now because they are slaves of their own wants”.

Medieval workers measured their leisure in terms of time and not money because there were few things that money could buy (Koyama, 2009). The arrival of Protestantism caused a simultaneous process in which a high propensity to work increased the income from labour which was used to purchase the marketable goods that could not be otherwise produced within the household framework (de Vries, 2008; Koyama, 2009). In other words, population took a more engaging view towards the market. This new forms on consumer behaviour originated in the Low Countries and spread to England and the New World, preparing the fertile soil for a fruitful Industrial Revolution (de Vries, 2008).

Weber (2011) gave a series of examples to show how Protestantism shaped the life of Northern Europe and America. First, protestant parents normally taught their children to work persistently, pursue careers in business and to attain material success through a profitable career. On the other hand, catholic parents, still shrouded in a traditionalist aura which viewed material wealth as sinful, had a lower percentage of graduates. Furthermore, those who attained some degree, were mainly in the fields of languages, history and philosophy. This trend, over the years, was bound to open an economic gap between catholic and protestant nations, a gap that still exists today. For instance, Spanish speaking countries and former Spanish colonies (The Philippines) around the world, predominantly catholic, are still far behind those in Northern America and Europe. Although what started as a religious practices are now enshrined in virtually every economy around the world, the effects of the stubbornly traditional views of Catholicism can still be seen.

Becker and Woessmann (2010) also support this claim by showing in their paper the positive effect that Protestantism had in 293 Prussian states. Protestantism increased the level of literacy as the latter was needed in order to read the bible by yourself, an aspect preached by Luther. The improvement in human capital caused by this fuelled the economies of northern Europe.

The trade with the new world made entrepreneurs and merchants the wealth-makers. Although initially monopolised by the Spanish and Portuguese, the helm would soon pass into the hands of the more business-minded population of Northern Europe. The growth in commerce stimulated the spread of useful accounting practices and literacy (Allen, 2011). These were easily absorbed by the well-suited mentality of religious Protestants.

Trade needs constant innovation, investment in ships, and a numerical mind to calculate costs and profits. Given that Protestantism thought no longer considered the pursuit of material wealth as a sin, but as a sign of salvation, commerce was successfully performed by protestant nations. It was a channel through which profits started to be earned in great scale, and spurred the economic growth of English and Dutch merchants (Acemoglu et al, 2005). This also ushered in certain institutional



changes, deviating power from absolute monarchies in favour of great merchants and entrepreneurs (Acemoglu et al, 2005).

Economic traditionalism based on self-sufficiency and limited use of money was inevitably destined to be put aside in those countries that incorporated Protestantism thought into their way of life. Therefore, the seeds for a fruitful Industrial Revolution had been sown.

## 4-The Enlightenment and the Industrial Revolution

The Enlightenment was a historic event that detached Britain and Northern Europe from the rest of nations around the world (Mokyr, 2011). The Enlightenment was not an economic movement, but its ideas affected how the population behaved and how they saw the world functioning. This was a ground-breaking moment in the history of mankind, since the beliefs held during the Middle Ages were challenged and shattered. Rational innovation can only happen in those societies that have the right mind-set to accept the change, societies in which new ideas are not held back by institutions that consider them as heretical (Mokyr, 2011). The Enlightenment was a movement that enhanced the idea of social progress, that society can be improved, and the wherewithal to make those changes real were linked to The Enlightenment. This is in contrast with the general idea held during pre-industrial times, in which changeless societies were bound by custom. That thirst for innovation is what sets apart this period of time from the rest, as the invention process became continuous rather than a single event. As a result, The Enlightenment movement took off in Northern Europe before anywhere else, as societies there had the right predisposition to adapt and apply new ideas.

The state also started to have a more relevant role, stimulating the propagation of knowledge by making its cost relatively low (public education) and encouraging it by the creation of patent laws (Mokyr, 2011). The latter is a very important factor, since the person who invented something new, be a machine, a procedure or a technique, had the right to exploit its profitability, at least for a time. Creating the incentives to enhance technological change is the key. This caused an explosion of new,

efficient and productive ideas, which were absorbed by those societies that were willing to do so (Mokyr, 2011). As North (1991) put it, “the agent of change is the individual entrepreneur responding to the incentives embodied in the institutional framework”. As The Enlightenment started to take roots within the society, the state itself created the changes demanded by the society, favouring merchants, businesspersons and those willing to produce wealth for the country. Examples of this sort of organisational changes are given by North (1991), who says that opening of the textile industry, no longer under the guild’s claws, allowed for an expansion of opportunities nationally and internationally. On the other hand, Spain, which still was under the influence of a traditional church, provided rewarding opportunities in spiritual posts such as bishops. Similarly, the army offered many well-paid careers. There were also confiscations of silver to merchants coming from the new world and price controls. Obviously, these factors discouraged productive activity in Spain, whereas a more proactive attitude in England allowed for the Industrial Revolution to take off.

However, the fraction of the population affected originally by The Enlightenment thought was a minority. They were the well-educated and intellectual class. Yet as the middle class expanded and the cost to access knowledge decreased, the new ideas filtered down and affected an ever-increasing proportion of the population, setting the economic machinery of growth in motion (Mokyr, 2011)

## 5-The arrival of the factory

With the advent of the Industrial Revolution, the way people work also changed. The unbreakable bond between land and peasantry which existed during pre-industrial times was bound to be shattered. The introduction of machinery increased productivity in agriculture, and therefore a relative small percentage of the workforce was capable of feeding an increasing population. As Heilbroner and Milberg (2012) claim, an American farmer working his land with machinery, can provide food for nearly hundred nonfarmers, whereas his Asian counterpart can hardly feed his own family. This agricultural revolution created a group of landless men whose only commodity to sell was their labour force: the proletariat.

The Industrial Revolution ushered in a new way of organising work, distinguishing household from firm or factories, a difference hitherto inexistent (Mokyr, 2011). As it was mentioned before, the arrival of a *quasi*-consumer revolution changed the expenditure patterns of the household towards marketable goods that were no longer produced domestically. Factories were the main source of goods and workers could no longer organise their time; the pace was now set by machines and market forces of supply and demand (Geraghty, 2007 and Heilbroner and Milberg, 2012). The latter was a really powerful force, for it is the main feature of a capitalist economy. Supervision and discipline were a necessary evil in order to fully utilized factory equipment, pressing employees to work harder than they otherwise would have (Geraghty, 2003). As Oliver Williamson and Richard Szostak (cited in Geraghty, 2003, p.537) put it “[...] much of the benefit of factories resulted from increased process supervision rather than new technologies”. Supervision also had the role to maintain the expensive machinery acquired by the capitalists. Capitalist ownership of the means of production is another classical feature that came with the Industrial Revolution. Technology was around half the annual wage of an ordinary worker, hence it was nearly impossible for them to purchase new machinery (Geraghty, 2007). Therefore it was in the interest of the capitalist sector to ensure the efficient use and maintenance of the means of production. However, this disciplinary process was typically riddled with abuses of every kind from foremen and supervisors. It cannot help to think that the incredible

increase in productivity that ushered in the Industrial Revolution was mainly shouldered by the proletariat (Heilbroner and Milberg, 2012, p.62)

## 6-Conclusion

For a market society to function, men must be free to seek gain, and the ideas of profit and change must be socially accepted. The Catholic Church was always ambivalent with regard to moneymaking, portraying it as one of the worst sins (Heilbroner and Milberg, 2012). Therefore the birth of the protestant ethic brought about a radical alteration in the mind-set of the population that ensured the transformation of the economy.

People are the main vehicle through which changes occurs. The acceptance and adaptation of the protestant thought *vis a vis* innovation, profits and attitude towards work, allowed for the growth of a capitalist economy where profit-seeking professions were not punished.

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