Rhineland Revisited

Subsidiarity and the historical origins of coordination – comparing Germany with the Netherlands and France (800-1914)

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For Bernd, Susanne, and Catharina

Abstract

What explains the historical emergence of coordinated economic institutions for human capital formation and welfare provision? Surveying roughly one millennium of political and economic development in Germany, the Netherlands and France up until 1914, this thesis argues that dating back to the Middle Ages, the earliest forerunners of modern economic coordination could develop only in institutional complementarity with a specific form of political decentralisation, connected via their jointly enabling effect on collective action. This mutually re-enforcing complementarity gave rise to societies organised around the principle of subsidiarity, in which an often structurally unclear distribution of decision-making powers prompts political and economic actors to coordinate across different hierarchical levels. The comparison of eventually federal Germany with the ultimately unitary Netherlands – both of which developed significant patterns of economic coordination – demonstrates that political decentralisation under subsidiarity does not simply equal the modern (American) reference model of clear-cut, rights-based federalism. Meanwhile the experience of strongly centralised France highlights that without this decentralisation, institutions of economic coordination hardly develop. Collective action is difficult to harness if subsidiarity is absent because on the central state level, and unlike in economically more homogenous local contexts, economic interests often remain too diverse to coordinate. The historical result has been the emergence of decentralised-coordinated political economies under subsidiarity in Germany and the Netherlands, and of a centralised, non-coordinated system in France. A better understanding of these institutional complementarities can help us historically inform recent scholarly debates on the emergence of modern political-economic organisation in the 19th century and on current governance problems in the Eurozone. The thesis seeks to contribute to the historical study of comparative political economy by highlighting how particular complementary institutions of political and economic governance have co-developed over time. It is argued that this understudied aspect of institutional development is crucial for understanding processes of continuity and change in advanced capitalism.

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1 Introduction: Human capital, continuity, and change – Revisiting the Rhineland model

'Because of this trust, compliance, service, aid, and counsel that the people promises and furnishes to its supreme magistrate, he is said to have innumerable eyes and ears, large arms, and swift feet, as if the whole people lent him its eyes, ears, strength, and faculties for the use of the commonwealth. Whence the magistrate is called mighty, strong, rich, wise, and aware of many things, and is said to represent the entire people.'
Johannes Althusius (1603, 133)

'[D]ans chaque cas, il suffit d'entrer dans le concret pour constater … que le capitalisme réel tel qu'il est vécu dans différents pays n'apporte pas par lui seul une repose unique, un best way *aux grandes questions de la société.'*
Michel Albert (1991, 21)

What are the historical origins of modern coordinated market economies? As the academic debate is moving beyond the analysis of existing and stable varieties of capitalism, this question has recently attracted considerable attention. Given a currently dominant preoccupation with processes of capitalist evolution and change – globalisation, liberalisation, dualisation – scholars have been eager to go beyond the parsimonious focus on individual business interests in human-capital formation underpinning the initial varieties of capitalism paradigm (Hall and Soskice 2001). Instead, both proponents and critics of varieties of capitalism have highlighted the deep historical-political roots of modern economic institutions. For instance, the typically cooperative patterns of coordinated market economies – industry-level bargains and shop-floor co-determination among workers and employers, investors acting as long-term stakeholders, and politics supporting collaborative human-capital formation – are said to date back at least to the days of the medieval guild economy (Herrigel 1996; Thelen 2004). They also appear to have been shored up by the presence of complementary political institutions since the 19th century (Iversen and Soskice 2009; Martin and Swank 2008; both building on Katzenstein 1985; Crouch 1994).

While my thesis crucially builds on these recent advances, I see a major problem with most of the existing literature. Despite the recent turn, it appears that the bulk of studies has hardly taken history for much more than a convenient source to occasionally back up their very contemporary models. This has grave consequences for our depiction of actual historical processes. Not only does it remain largely unclear with which precise type of political institution economic coordination is supposed to have been historically complementary, but the picture that does emerge between the lines is one of an enabling effect on collective action that is emanating from corporatist political organisation (Schmitter 1974). With regard to political institutions, this ultimately entails at least an implicit bias towards forms of centralisation and hierarchy, economic policy-making on the national level, and strong government, if not outright authoritarianism. This is surprising given that existing historiography has shown for decades that although centralised-corporatist ideas clearly motivated 19th-century actors like Bismarck in Germany, these politicians often failed to achieve their goals. Instead, they regularly had to give in to lower-level pressures (see Abelshauser 1984 for the single most succinct account for the case of Bismarck). In fact, coordinated arrangements often entail strong aspects of decentralisation, as in German vocational training: the system is largely self-administered by locally organised employers and workers, who receive support from the regional state institutions via matching regulation and schooling.

My thesis hence proposes a fundamentally different take on the historical nature of political institutions complementing coordinated economic arrangements. Taking Olson (1965) and the complexity of actual historical processes seriously, my theoretical argument moves away from the centralised-corporatist arrangements flowing through the literature. In contrast, it is argued that the enabling effect on collective action required for coordination is in fact more likely to have come from decentralised political institutions. Just as with any form of collective action, the transaction costs (Williamson 1975; 1985) of economic coordination should be less costly to organise in smaller, locally administered production regimes because of more homogenous preferences. The case explored in the following analysis is that of the development of the specific skills required by employers, which, under decentralisation, are thus easier to coordinate. In line with this, I claim that historically, the earliest traces of economic coordination – human-capital formation institutionalised in organisations such as, for instance, medieval craft guilds and their forerunners – did not develop in complementarity with authoritarianism, hierarchy, or centralised corporatism, but instead with a specific tradition of political decentralisation in the complex form a 'managed co-existence of representational monopolies' (Lehmbruch 1996, 56) rather than simple, clear-cut, rights-based federalist arrangements. On the flipside, this collective management of local political complexity is sustained by the welfare generated by the economic setup, enabling small polities to maintain self-administration. The historical outcome of this complementarity of economic coordination with a very specific form of political decentralisation has been a so far mostly overlooked form of societal organisation fostering collective action much more than any centralised setup: subsidiarity, first advocated as a normative concept by Johannes Althusius (1603 [1995]). It promotes the autonomous self-governance of small, graded but interconnected, organised societal groups which are independent of, but can receive assistance (lat. *subsidium*) from hierarchically higher levels of society, if required (Hueglin 2003). Because I take the claim seriously that coordination stems from local and individual interests rather than from top-down imposition, I argue that we have to focus on the historical emergence of a wider societal order – subsidiarity – under which political decentralisation and economic coordination overlapped to jointly facilitate collective action.

My thesis will substantiate my conceptual claim by contrasting developments in the geographical breeding grounds of the subsidiarity model, a zone of decentralised polities roughly along the Rhine at the geographical heart of Western Europe, with events in early centralising polities to the east and the west thereof. My three cases are: the Netherlands as a rather coherent, homogenous example of the subsidiarity Rhineland model combining decentralisation and coordination; Germany which I will analyse in depth as an interesting case where historically, the subsidiarity model along the Rhine met in one polity with the centralised non-coordinated model east of the Elbe, but which has eventually turned coordinated; and France, which represents the rather clear cut non-coordinated centraliser west of the Rhine. The river's key role as a *geographical* feature which over the centuries left a mark on political and economic institutions will also set this account apart from other parts of the literature on welfare state typologies – thinking of course of Michel Albert's (Albert 1991) seminal coining of the term 'Rhineland Model.'

Painting a very broad historical canvass, my analysis spans German and West European history from the year 400 AD all the way up until the outbreak of WWI, the point in time when the main elements of modern coordinated market economies were in place on a national level. My analysis of events in the late 19th century – which have recently gained great attention in the political economy and comparative historical analysis literature –

will therefore highlight that what really occurred during that period was not that coordination was simply transferred to the national level, but that the coordination of new nation-wide, industrialised economies went hand in hand with the design of national polities in accordance with principles of decentralisation. What happened was the construction of subsidiarity-based national political economies that have remained in place up until today, forming the political backdrop for welfare state extension as well as cut-back. However, while the overall reach of coordinated arrangements – and accordingly, levels of overall equality – has changed over time, my outlook section at the end of this thesis will highlight that the subsidiarity-based setup largely in place nationally by 1914 has historically placed the coordinated provision of human capital at a manufacturing core on a pathway of institutional continuity over centuries, shoring it up against historical challenges at least as large as the postmodern, globalised onslaught on solidarity.

1.1 Developing the argument

When analysing the developmental trajectories of coordinated market economies, the comparative political economy literature has recently mainly focused on institutional change: postmodern pressures such as de-industrialisation, globalisation and liberalisation have endangered typically coordinated patterns of cooperation such as industry-level bargains and shop-floor co-determination among workers and employers, investors acting as long-term stakeholders, and politics supporting collaborative human-capital formation. The result has been growing dualisation between those inside and outside the remainders of formerly encompassing coordinated arrangements (Rueda 2007; Streeck 2009; Palier and Thelen 2010; Fleckenstein, Saunders, and Seeleib-Kaiser 2011). In this light, the combination of high productivity and relative social equality appears to have been less of a structurally stable variant of national capitalism, but rather a snapshot of institutional development during the social democratic post-war era (Soskice 1990; 1991; 1999; Streeck 1992; 1996; R. Boyer 1996; Iversen 2005; Thelen 2014). Yet the term dualisation also highlights that next to liberalised areas, a coordinated core of mostly export-focused manufacturing seems to have survived (Pontusson and Swenson 1996; Iversen 1996; Iversen and Soskice 2009).

The intellectual starting point for my thesis is the idea that in order to fully grasp recent trends and historical pathways in coordinated market economies, we need to differentiate between changing levels of overall equality and stable mechanisms of human-capital provision (Thelen 2014). Looking at the example of Wilhelmine Germany – the temporal endpoint of this thesis – it possessed an effectively coordinated economy, regardless of overall levels of equality still being extremely low (Hilferding 1910). The generation and protection of vocational skills hence represents the effective, stable core of the coordinated model, not just in light of empirical research by historians but also in conceptual work on varieties of capitalism (Hall and Soskice 2001).

From a theoretical perspective, employers' interest in human-capital provision motivates the reliance on non-market mechanisms of cooperation with workers, as skills are co-specific assets, i.e. they require a degree of employee specialisation that can only be provided in consensus (Iversen and Soskice 2001). From the empirical view, the most basic forms of cross-cleavage consensus and welfare provision – which have been referred to as 'proto-coordination' (Iversen and Soskice 2009) – did indeed occur first in institutions such as medieval guilds, where vocational skill formation was a central, if not the main cause (see S. A. Epstein 1991; S. R. Epstein 1998; S. R. Epstein and Prak 2008; Fröhlich 1976; Lis and Soly 2008). To this date, the unrivalled contribution that high-end manufactured exports continue to make to overall GDP in places like Germany, and the role that current account imbalances have come to play in the eurozone crisis hint at an unbroken, institutionalised focus on coordinated human capital formation at the heart of coordinated market economies (see Johnston and Hancke 1999; Streeck 2009, 42; Hassel 2011; Reisenbichler and Morgan 2012). As opposed to this, high levels of overall equality – the social-democratic welfare state of the 1970s (Esping-Andersen 1990) – was not a constituent characteristic but historically speaking rather an exception to and an expansion of the coordinated market economy model, distributing welfare gains also towards segments of the workforce outside the immediate, highly productive core of coordination (Iversen and Soskice 2009, 475 ff.). The fact that this social-democratically expanded coordinated market economy variant has over the last decades shrunk again has given rise, among other things, to insider-outsider problems in the labour market and expecially on the political left (Thelen and van Wijnbergen 2003; Rueda 2007; Beramendi and Rueda 2010).

This subsection develops my conceptual argument in detail. It proceeds in five, subsequent steps. First, it introduces subsidiarity, the central aspect of my thesis. In a second step, it develops the idea that the presence of subsidiarity reflects the institutional complementarity of a specific form of political decentralisation and economic coordination – the conceptual mechanism at the core of my argument. Third, it specifies the spatial reach of my argument, identifying a region at the geographical heart of Western Europe where the presence of subsidiarity has historically yielded the rise of coordination, the wider Rhineland. Fourth, it highlights the importance of actual historical sequencing for the understanding of my argument and the way in which, under subsidiarity, the institutional complementarity with decentralisation defined the political prospects of coalitions backing coordination. Finally, the fifth subsection explores the implications and the relevance of my argument for scholarly research and beyond.

1.1.1 Subsidiarity

In search of an explanation for the long-run resiliency of coordinated human-capital formation vis-à-vis changing levels of overall equality, this thesis introduces an institutionalist explanatory concept which has so far been understudied: subsidiarity as a principle of organising society. The ways in which subsidiarity might have played a role in the transfer of local coordinated traditions to the emerging national economies has not yet been elaborated systematically. Part of the reason for this may be that existing work often narrowly equates political decentralisation with federalism. This is surprising given interesting existing work on more complex forms of decentralisation such as those under subsidiarity.

What is subsidiarity? While wrongly often considered a product of 19th and 20th century Catholic social teaching, it were, in fact, Calvinist thinkers of the 16th and 17th century such as Johannes Althusius (ca. 1563-1638) who initially developed subsidiarity as a political concept. In reaction to the early modern Catholic agenda of centralisation in the Holy Roman Empire, they aimed at safeguarding local patterns of community organisation. The underlying argument was that families and local communities as the smallest units of societal life were 'governed by special sets of rules specific to them, and not by a general rule of sovereignty' (Hueglin 2003, 279). These local structures therefore required tailor-made governance and administration, which could not be provided by distant political centres. In contrast to the (modern reference) model of decentralisation later developed by the Federalists of the emerging United States – a variant characterised by its strictly rights-based, clear-cut allocation of political authority to different levels of government – Althusian subsidiarity was concerned with the bottom-up management of multi-level interaction and complexity, the constantly negotiated allocation of political power among plural communities (Hueglin 2003).

As a societal principle originally developed in the context of ecclesial governance, subsidiarity propagates autonomous self-governance in small, graded but interconnected, organised societal groups. These organised groups can at times receive assistance (lat. *subsidium*) from hierarchically higher societal levels, but only if and when they are unable to solve their own, local problems by means of self-help (Hueglin 2003). This more complex, less clear-cut variant of political decentralisation goes beyond structuring political hierarchies. In this sense, once more, it is very different from a primarily American take on decentralisation that seems to be concerned first and foremost with the division of political decision-making powers (see Riker 1964) – arguably to preserve personal liberties precisely by limiting the reach of more encompassing, negotiated arrangements that are so characteristic of subsidiarity variants of political decentralisations.

However, even prior to Althusius, patterns of subsidiarity can be traced back to phenomena such as communalism, medieval self-governance based on autonomy and permanent negotiation (Blickle 1981; Oexle 1996). It was only in the Westphalian Peace of 1648, however, that subsidiarity and territorial representation as a formalised concept prevailed over the Catholic agenda of Imperial centralisation (Hoke 1998). Their entrenchment in the political organisation of early modern states at the heart of Western Europe remained intact for centuries to come. In contrast to claims that after WWII, 'institutional life would start almost anew' (Olson 1982, 76) in subsidiarity-based places such as Germany, for instance, scholars like Lehmbruch argue that modern institutional design has rather reconnected to a traditional 'hybridization of federalist and corporatist elements on the national level with the emerging bureaucratic state on the sub-national level' (Lehmbruch 1996, 43). It is obvious how later studies of German federalism reconnect to this view (see Ziblatt 2006).

1.1.2 Institutional complementarities

Following these considerations regarding subsidiarity, the next step is to expand on the concept of institutional complementarities – introduced to the study of comparative capitalism by Hall and Soskice (2001). The idea is that the presence of one institution raises the returns available from another (Aoki 1994), and that this complementarity existed between patterns of political and economic organisation (Iversen and Soskice 2009), specifically between forms of decentralisation and coordination under subsidiarity. First, coordination does in itself contain strong aspects of decentralisation. The example of the locally autonomous governance, with limited assistance from the government, of Germany's vocational training regimes has already been mentioned above. Another case in point is the country's municipally owned savings and local cooperative banks, which are self-administered on the local level, run in a negotiated manner between local politicians and businesses, and supported by the state which defends the underlying regulatory framework against outside actors such as, for instance, the European Commission in the context of Europe's Banking Union. In short, subsidiarity seems to be an integral part of this coordinated arrangement itself.

Decentralisation has hardly featured prominently as an institutional compelement to coordination so far. In the ground-breaking work of Katzenstein, there is room for voluntary interaction, but his democratic corporatism is not only a phenomenon of the post WWII era, but it also remains defined by 'an ideology of social partnership expressed at the national level; a relatively centralized and concentrated system of interest groups' (Katzenstein 1985, 32). Crouch also intends to go beyond Schmitter's hierarchies, highlighting the role of representation, interdependencies, and local consent. Nevertheless, he assumes that 'the national level is particularly appropriate for the search for common interests' (Crouch 1994, 52), which explains why bargains in his *Ständestaaten* successors are 'ultimately controlled by successively higher levels' (Crouch 1994, 55). Iversen and Soskice (2009, 463) remind us of the continued influence of these verdicts by connecting to this literature, pointing to 'Ständestaat or corporative state tradition in which government operated partially through groups (estates).' Martin and Swank (2008, 185) claim specifically that 'political authority dispersed to the local level makes it less likely that national employers' organizations will achieve high levels of centralization and coordination.' However, this focus on political centralism and hierarchy has in fact been most helpful for understanding changing levels of equality post-WWII. The most convincing studies on this issue analyse the 'capacity of the state to cajole and coerce private-sector actors into agreement (or at least compliance) at key junctions' (Thelen 2014, chap. 1, section 8, para. 1) during the 20th century.

How can we, instead, explain this close link – if not partial similarity – between coordinated arrangements and decentralisation under subsidiarity? My answer is that as a societal institution, coordination is a form of collective action, which is less costly to organise in smaller, locally administered – in other words, subsidiar – political economies (Olson 1965). The reason for this is that in smaller production regimes business and employee preferences for specific skills are more homogenous and thus easier to coordinate.

Historically, emerging *Gewerbelandschaften* (Pohl 1986; Kiesewetter 1989; Fremdling and Tilly 1998) serve as a vivid example of this pattern. In this sense, subsidiarity shielded cities and regions with early, specific artisanal and manufacturing traditions from competing artisanal, merchant and agrarian interests in other regions. Subsidiarity is hence not only a key feature of coordinated institutions themselves; the presence of matching subsidiarity in the political realm via decentralisation facilitates the construction of proto-coordinated institutions of human capital provision such as medieval guilds and journeymen associations. Just like a longer time horizon is the *tertium comparationis* making long-term employment and stakeholder financing institutional complementarities in Aoki's (1994) initial example, coordinated arrangements in the economy and political decentralisation share a joint, enabling effect on local collective action under subsidiarity: political decentralisation fosters collective action in the economy (coordination); while the resulting welfare gains can again be utilised to maintain collective action in locally autonomous polities (decentralisation), and so forth. Under subsidiarity, decentralisation and coordination are therefore mutually re-enforcing institutions complementary to each other: the presence of one increases the returns available from another.

Departing from Barry Weingast's (1995) concept of 'market-preserving federalism' – effectively advocating a (very American) rights-based form of political decentralisation clearly dividing political competencies across hierarchical levels – my thesis hence introduces the idea of *coordination-preserving subsidiarity*: this institutional complementarity provided for the stability of coordinated human-capital formation in Germany and similar places well into the modern era. Where political centralisation prevailed, conversely, non-coordinated economies were the outcome.

Figure one sums up this relationship between decentralisation and coordination at the core of my argument. It highlights that only a very specific form of political decentralisation explains economic coordination; conversely, only a specific variant of economic coordination can be explained by the presence of that version of political decentralisation. These specific forms of political decentralisation and economic coordination occur under siubsidiarity. I have added two previously discussed counterfactuals into figure one to help clarify this point: political decentralisation is subsidiarity – as in Lehmbruch's (1996) managed complexity – only where it does not merely mean the rights-based division of powers as in Weingast's (1995) market-preserving federalism; meanwhile, economic coordination is characterised by subsidiarity – as in Hall and Soskice's coordinated market economies (2001) – only where it is not simply defined as the centralised, social democratic imposition of workers' rights as in Schmitter's (1974) neo-corporatism.

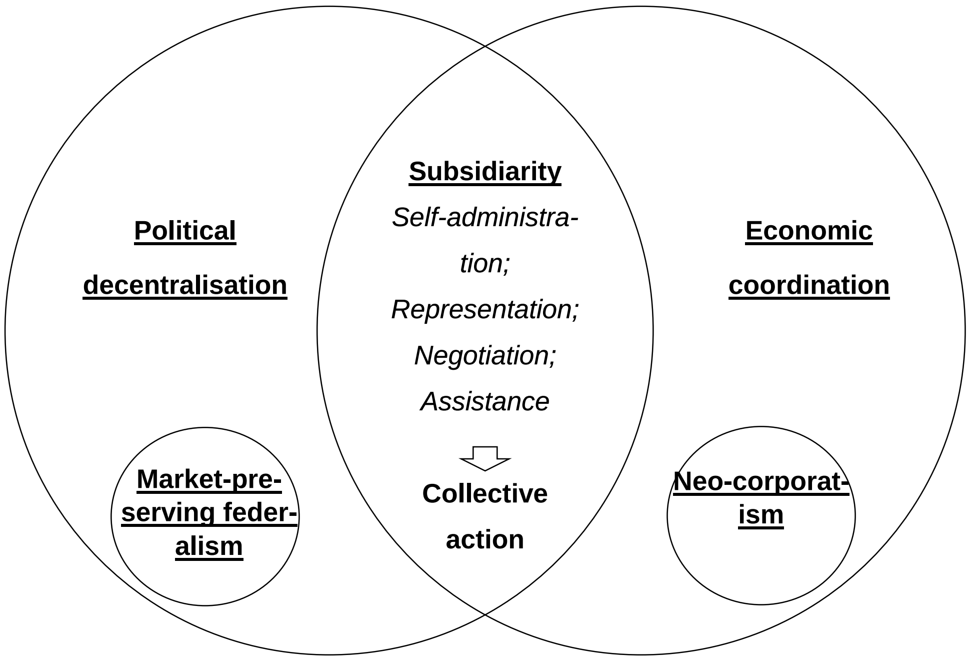

Figure 1: *Collective action – shared aspect of decentralisation and coordination*

Against this backdrop, a subsidiar variant of political decentralisation explains coordinated human capital formation in places like Germany; however, although a version of political decentralisation, the rights-based federalism of the US neither leads to the emergence of a subsidiar coordinated market economy, nor of course to the even more unlikely outcome of neo-corporatist arrangements in a country that has never known strong social democracy. Similarly, the neo-corporatist view on economic coordination in Katzenstein's (1985) *Small States* (see below) had little to do with subsidiarity-based forms of coordination, nor could they have been triggered by a political decentralisation that was absent from these in fact largely centralised polities.

1.1.3 Rhineland

Only in places where local government has historically retained a powerful role – yet without entirely preventing the emergence of more integrated polities as under US-style federalism – should we expect to see the emergence of subsidiarity, both in political and in economic governance. This assigns a spatial dimension to my conceptual argument about institutional complementarity, clarifying by, in fact, limiting its reach: we need to specifically look for geographical areas where a precarious balance of sufficient levels of political decentralisation on the one hand and integrating tendencies on the other provided the necessary preconditions for the emergence of subsidiarity.

Based on the literature on resource management in modern emerging markets (where the topic of decentralisation plays a prominent role), I define decentralisation as a form of political organisation that results from, 'any act by which a central government cedes rights of decision making over resources to actors and institutions at lower levels in a politico-administrative and territorial hierarchy' (Agrawal and Ostrom 2001, 488). On this basis, I use the term decentralisation to refer to places where either lower levels of government hold considerable powers of self-administration (such as independent regions or cities vis-à-vis states), or in which government beyond the level of urban and regional realms is not present at all (as in city states) (Lehmbruch 1996).

Historically, these patterns can be found in what I will call here the wider Rhineland, along a geographical corridor cutting from north to south through the centre of Western Europe. This corridor is located roughly along the river Rhine; it expands no further east than the river Elbe. Among the defining factors of this region's geography is the presence of waterways benefitting commerce while also facilitating the construction of numerous political borders, as well as the existence of natural barriers such as the Alps, complicating political, cultural and economic integration. Precisely in this geographical space, the resulting decentralisation benefitted the emergence of a densely populated area of cities, towns and communities over which central political authorities would subsequently find it difficult to establish their rule. This wider region has featured prominently in the writings of political scientists, historians and human geographers, from Stein Rokkan's (1999) "city belt" via Charles Tilly's (1992) hybrid of his coercive and capital-based modes of state formation to Roger Brunet's (2002) "blue banana" of human-produced luminosity in this densely populated area, captured in modern satellite photography.

As a result of decentralisation, locally coordinated entities prevailed even under the circumstances of early-modern state formation. This sets this region at the geographical heart of Western Europe apart from the continents eastern and western edges. In the tradition of Stein Rokkan's ground breaking conceptual maps (which were later crucially augmented by Peter Flora), I identify five modes of European state formation in the existing literature. Two of them – the highly urbanised city belt and the Saxon tribalism covering much of what was later to become Germany between the rivers Rhine and Elbe – occurred based on persistent political decentralisation and yielded high degrees of subsidiarity as their outcome (see table 1).

	England	France	City belt	Rural Germany	Eastern Europe
Organising principle	Legalism	Dirigisme	Urbanism	Tribalism	Militarism
Degree of centralisation	High		Low		High
Degree of subsidiarity	Low		High		Low

Table 1: *Organising principles of state formation and associated degrees of subsidiarity*

1.1.4 Historical sequencing

Finally, actual historical sequencing matters for my argument, as is typical of studies in the tradition of historical institutionalism and comparative historical analysis (Skocpol 1979; 1984; Steinmo, Thelen, and Longstreth 1992; Mahoney and Rueschemeier 2003).

One political effect of the institutional complementarities described above was that local political authority in proto-coordinated places was usually either directly executed by local institutions of coordinated human-capital formation (as in Free Imperial Cities directly ruled by guilds) or at least strongly interwoven with them (for instance, via guild representation in city councils). The development of this medieval nexus predated the early modern push for territorial centralisation – and, in fact, the rise of both the industrialised nation state of the modern age and its de-industrialised successor of the globalised era. This historical sequencing had two consequences. First, the new project of political centralisation clashed with local coordinated institutions – not because of their program of coordinated human-capital provision *per se*, but rather due to their role as locally powerful, political actors, which emerging territorial principalities, kingdoms, and empires had to take heads-on if they wanted to gain greater political power. Second, as the push for centralisation proved difficult at Europe's decentralised core along the Rhine, the result was the emergence of a 'managed co-existence of representational monopolies' (Lehmbruch 1996, 56): territorial and later nation states did emerge everywhere, but the degree to which they centralised political authority remained limited along the Rhine. In other words, subsidiarity became a defining feature also of the new territorial states in that region.

In this sense, I will hold the rise of territorial states constant as a variable. This is important since I argue that for the emergence of coordination, the crucial moment was not *nation* state formation, which typically plays a key role in historical studies (see Ertmann 1997; Ziblatt 2006), and which did indeed differ across many cases discussed in my thesis (for instance: early in France, late in Germany). Instead, I argue that the key factor regarding the emergence of coordination was the dominant organising principle in a polity before the rise of the *territorial* state: did a given polity possess an institutionalised track record of subsidiarity or not? Contrary to the rise of the nation state, the emergence of territorial states occurred everywhere in Europe roughly at the same point in time, be it in a regional (Germany, Upper Italy) or already a nation-wide form (France, England). For all cases discussed, the timeframe for this process was the early modern era. The dominant organising principle prior to that determined whether early modern territorial state formation yielded subsidiarity-based entities as along the Rhine, or centralised territorial states to the east and west of this zone (see also table three below).

During the 19th century, the resulting subsidiarity-based polities along the Rhine eventually enabled locally coordinated actors to design their evolving national, industrialised economies as modern coordinated market economies. The expansion of the coordinated core of human-capital formation was already well advanced by 1914, the end point of this thesis. My thesis will discuss this bottom-up process along *a five-stage model of the turn to coordination* between 1850 and 1914 (see figure one). The first stage began when during the 1850s, after centuries of protecting co-specific assets by means of proto-coordination in miners' brotherhoods, craft guilds, journeymen associations and their successor organisations, the large-scale producing companies emerging during industrialisation also began, for the same reason, to provide basic (1) company welfare schemes on the level of individual firms. The next step occurred in the 1880s, when the introduction of (2) public welfare schemes brought the government in as an actor for the first time – crucially building on pre-existing local institutions. With the introduction of (3) the first collective bargains between organised associations of workers and employers, coordination then began for the first time to rise beyond the boundaries of either individual firms or the government. All this did not remain without consequence for party politics, where the evolution of modern interest parties out of parties of notables triggered a rise in (4) political pragmatism. It was these interest parties who took this evolutionary process to its final stage, the level of the polity, in the context of the recently much debated (5) introduction of proportional representation as an electoral system. However, the crucial point is to highlight this process as a rise from the local to the nation-wide societal level, which must consequently be analysed by taking into account the nature and shape of political institutions.

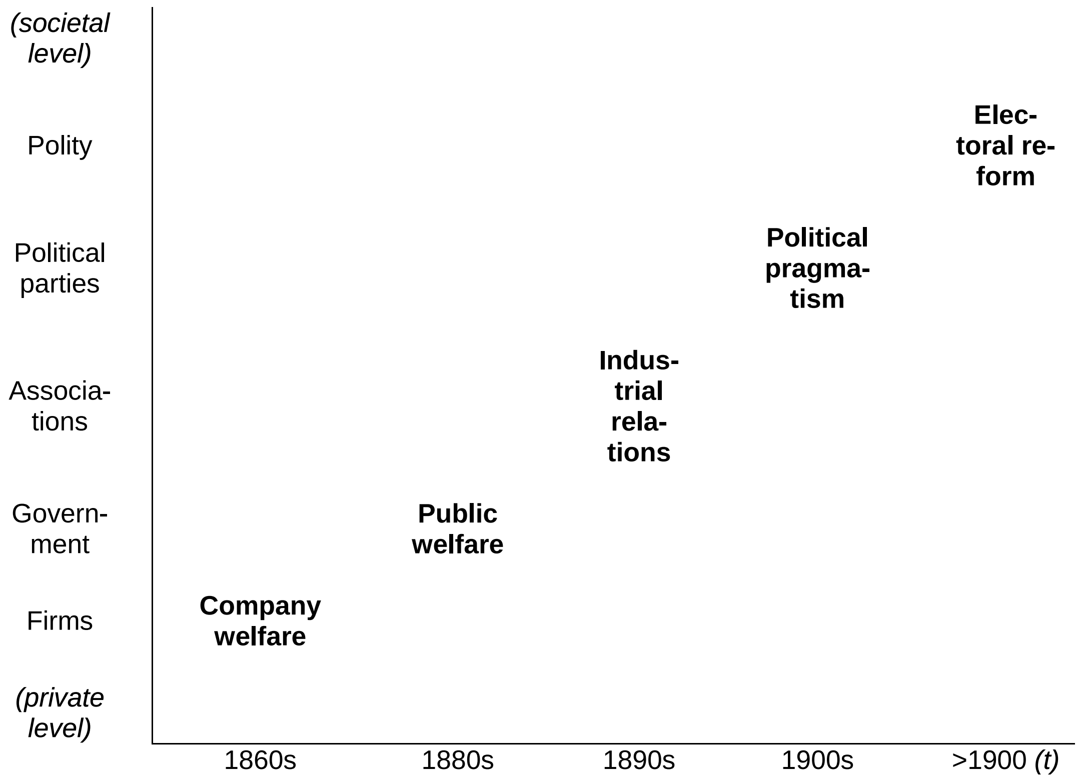

Figure 2: *Stage model of Germany's turn to coordination, 1860-1914*

As opposed to this Rhineland experience, when industrialisation began in the centralised zone, the initially weaker political and economic influence exerted by local master artisans, journeymen, and miners further diminished. The new industrialised economy was shaped primarily on the national level and with much less regard for the requirements of local manufacturing than in the subsidiarity area. As was the case with state formation, the resulting experiences of industrialisation across the centralisation zone differed widely at times, from England's leadership role to the late coming catch-up processes in Prussia and Russia. Policies varied accordingly, from the English agenda of enforcing the law via French *dirigisme* with its regulatory-bureaucratic apparatus to the Prussian landed nobility's active attempts to prevent urbanisation and industrialisation. However, in all these places, the early modern centralisation of political authority had moved the political centre of gravity further away from local manufacturers and towards actors and institutions as diverse as territorial state bureaucracies, organised merchant capital, the famous "invisible hand" of evolving consumer markets, and to the landed nobility. In the absence of subsidiarity, whatever degree of local proto-coordination had once existed in the centralisation zone was therefore left with only minimal influence on the design of the central policy agenda of emerging industrialised society. Whether this development ultimately fed into English market liberalism or into the Russian revolution, the capitalist logic of class confrontation gained much greater influence on policy choices in centralised places since local traditions of proto-coordination never served as starting point for the creation of coordinated market economies.

1.1.5 Relevance and implications

The argument developed in this thesis provides a so-far missing conceptual mechanism that can explain why in some places in Europe such as Germany, existing economic institutions of human-capital formation have historically been allowed to reproduce when they could equally have ended up being altered or abandoned – like many of the institutions that had formerly guaranteed overall equality and which, from a corporatist perspective, do indeed seem to have depended on a strong state (Schmitter 1974; Crouch 1994; van Wijnbergen 2002; Martin and Thelen 2007; Martin and Swank 2008). Conversely, this logic also explains why other European regions, comparably coordinated arrangements never fully developed in the first place.

My argument about the institutional complementarity of subsidiarity and coordination is meant to address some shortcomings in the existing literature. For instance, institutional complementarities have featured in the study of welfare regimes in the context of varieties of capitalism, but they have remained largely limited to the analysis of the interplay between primarily economic institutions such as modes of wage bargaining, company financing, and of course vocational skill provision (see Hall and Soskice 2001). As a result, the existing literature has highlighted economic equilibria of rational firm and workforce behaviour, but it has often remained blind for the political processes driving pathways of institutional change and stability. While, for instance, periodical reaffirmation is said to be of importance for the maintenance of distinctly national varieties of capitalism (Hall and Soskice 2001, 14; Hall 2007), the political organisation of these processes remains undefined. Lijphart's (1999) typology of democracies records a link between decentralised political organisation and, as he puts it, corporatist interest group organisation, but it remains unclear how the two interact beyond mere correlation. The fast-growing literature on institutional change in advanced capitalist democracies has begun to address these issues by analysing evolutionary dynamics as the result of political battles, but conceptually, the politics have usually been addressed separate from the very institutional setup they negotiate (see Hall and Thelen 2008; Mahoney and Thelen 2010; Streeck and Thelen 2005; Thelen 2003; 2014). However, with levels of employment in the coordination-prone manufacturing sector low everywhere in the advanced economies today, the question arises how even despite respective preferences in the skill-dependent core, the system can be maintained. After all, other sectors, from services to investment banking, often feel constrained by coordinated regulations such as forced membership in chambers, the dual apprenticeship system, or the protection of cooperative and municipal savings banks. The explanation of failure and perseverance of respective political coalitions might require an institutionalist amendment.

Against the backdrop of these open questions, my highlighting of the historical coordination-decentralisation nexus under subsidiarity seeks to connect to first conceptual advances recently achieved in the context of the debate about the origins of electoral systems, where the link between political institutions, interests and patterns of economic organisation has been highlighted (Cusack, Iversen, and Soskice 2007; 2010a). Moreover, I aim to overcome out-dated clichés about the alleged, entirely authoritarian, top-down imposition of the first patterns of coordination in the 19th century, which, curiously, still inform most historical-institutionalist accounts of Germany's coordinated market economy. Finally, my thesis intends to move beyond both economic equilibria conceptions of coordinated stability and depictions of political contestation as largely exogenous. Instead, I highlight that institutional design is indeed determined in political debates, but these do not occur outside the very institutional context they negotiate. This thesis seeks to analyse how institutional complementarities themselves influence the power dynamics that define the outcomes of the battles over institutional design. Against this backdrop, the choice for coordination emerges as a rational (Williamsonian) strategy, but not a purely contractual act; conversely, it is the result of political (Durkheimian) contestation, but not free from pre-existing constraints (see Streeck 2009).

Political and economic institutions built on subsidiarity have been complementary for centuries and therefore have to be analysed in their historical interplay. This thesis aims at achieving this goal by analysing the complementarity between political decentralisation and coordinated human capital provision under subsidiarity as well as supportive institutions in closely related areas such as welfare schemes, coordinated bargaining, stakeholder financing and political consensus. While the reach of the higher levels of equality typically associated with coordination has indeed shifted substantially over time – from the days of the guild economy to the social democratic era and on to globalisation – fundamental institutional complementarities have provided for stability at the very core of skill-dependent, high-end manufacturing.

1.2 Case selection

My thesis will focus on one issue, human capital, and – at least at first sight – highlight the role of one geographical location, Germany, in a comparative context. Readers familiar to the varieties of capitalism paradigm might find this a rather obvious choice. Since the early 2000s vocational skills have been identified as the crucial aspect defining actors' preferences regarding social protection mechanisms, and therefore ultimately underlying institutional variety in advanced capitalism (see Iversen and Soskice 2001; Paster 2011; Streeck 2011; Busemeyer and Trampusch 2012). However, human capital had already played a central role before, in the work of scholars analysing the German focus on vocational skills as the result of high levels of labour organisation (Gillingham 1985), as well as in the writings of those researchers highlighting the impact of vocational training institutions on employers' preference for coordination (Soskice 1991). Around the same time, Wolfgang Streeck argued that political institutions were required to incentivise private over-investment in skills which he saw as underlying the German model of diversified quality production (Streeck 1992).

Meanwhile, from the perspective of neo-corporatism, guild traditions had played a crucial role for the emergence of distinct national modes of capitalism in places like Germany. By definition of these medieval and early modern institutions as regulating bodies for skills and training, this led to a focus on human capital in this strand of research (see Schmitter 1974; Crouch 1994). Latest research points to the centrality of skills also for recent processes of institutional change in national capitalism. In many economies, the preservation of traditional coordinated institutions has, amid declining coverage and growing dualisation, actually increased overall levels of inequality (Thelen 2014). What this might once more show is that the encompassing welfare arrangements of the 1970s were merely an accompanying phenomenon, while the aspect of human-capital provision marked the actual core of coordination, remaining intact in key economic sectors to this date (Iversen and Soskice 2009, 475 ff.). Hence, not only from a theoretical perspective, human capital is key for the emergence and historical trajectory of national variation in advanced capitalism. It is also the one trademark characteristic of coordinated market economies that has remained stable, and therefore deserves closer examination.

Germany has played a crucial role in this strand of research from the beginning as the ideal type of coordinated market economy. It also matters because of its role both as largest economy and leading political player in Europe today. This has become especially clear over the last years of crisis management in the eurozone, when understanding the particularities of governing Germany's coordinated market economy suddenly became a key concern for a wide range of actors, from the country's European political partners to investors in global financial markets. Yet at the same time, the example of "American exceptionalism" reminds us of the potential pitfalls associated with a case selection based solely on (perceived) regional or global influence, which cannot replace comparative context. For the US, most such attempts 'have been rooted in American history and society – as though it is obvious that other countries are fundamentally different' (Soskice 2007, 12). What renders this approach especially dangerous with regard to Germany is the problematic history of the equivalent of US exceptionalism, the infamous German special path (*Sonderweg*), according to which German history was characterised by a unique level of societal authoritarianism that led from the delayed state formation straight into Nazi terrorism (F. Fischer 1991; Wehler 1985). Though largely refuted by historians today (Blackbourn and Eley 1984; Nipperdey 1992; Clark 2007), it does remind us of the dangers of case selection based on alleged exceptionalisms.

In contrast, my 'contextualised comparison' (Locke and Thelen 1995) with historical developments across Western Europe – France and the Netherlands as most similar and most different cases, respectively – puts the German experience into perspective, highlighting institutional differences across the national political economies of Western Europe. My thesis treats Germany not as a crucial (a theory works under most adverse conditions) but rather as an archetypical case (Eckstein 1975; Rose 1991): the ideal type, not just a representative case of modern coordinated market economies.

However, apart from all these considerations, there is a seemingly contradictory but all the more important reason for choosing Germany as the central case for this thesis: as the thesis title and the headline of this introductory chapter highlight, the focus is, in fact, not so much on Germany, as it really is on a European region that today merely happens to be largely (but not at all exclusively) covered by Germany, the wider Rhineland. I trace the interplay of political and economic institutions in this region over some 1,500 years, from around 400 AD all the way up to the outbreak of WWI in 1914, only the last 43 years of which a German nation state in the modern sense actually existed. My thesis refers to "Germany" and "the German lands," to offer units of analysis that are more easily accessible. In fact, however, my thesis is characterised by a decidedly regional approach, comparing for the most part not nation states, but rather pre-national and sub-national regions across Europe.

On the sub-national level, the geographical area covered by modern Germany consists of many regions with at times strongly diverging historical records regarding the variables featuring in my thesis. In terms of table one above, modern Germany consists of areas in each of the three columns entitled 'city belt', 'rural Germany', and 'Eastern Europe'. As an example, consider the contrast between the subsidiarity-based and locally coordinated Rhineland (city belt) with the centralised and initially little coordinated Prussia east of the river Elbe (Eastern Europe). Due to its geographic location, select regions in modern Germany therefore closely resemble the setup typical of other regions in Europe. This, then, makes Germany a perfect case study for observing the interplay of different European patterns of political and economic coordination. As an example, again, consider that the coordinated Rhineland was integrated into centralist-minded Prussia at the latest after the Vienna Congress of 1815; but also that Germany's national economy that emerged since the end of the 19th century ultimately turned coordinated.

My main comparative cases are the regions that are covered by the modern Netherlands and France (see "Methodology" below), the first of which developed into an integrated nation state earlier than Germany, but still later than the rapid centraliser France. The contextualised comparison with these other regions will help to crystallise a central claim of this thesis: locally coordinated arrangements came under pressure from the rise of the early modern territorial state and only persisted where they had already before been strongly institutionalised. In short, the real focus of my thesis is not Germany but the wider Rhineland at the geographical heart of Western Europe.

1.3 THEORETICAL APPROACH

1.3.1 Comparative historical analysis

This thesis stands in the tradition of historical sociology (Skocpol 1979; 1984), historical institutionalism (Steinmo, Thelen, and Longstreth 1992) and comparative historical analysis. The latter is defined by its 'concern with causal analysis, an emphasis on processes over time, and the use of structured comparison' (Mahoney and Rueschemeier 2003, 10). Despite occasional differences, 'all comparative historical work fits comfortably within the field of historical institutionalism' (Mahoney and Rueschemeier 2003, 11). More pronounced than the differences between specific historicisms are the divergences between two variants of instituitionalism, namely a rational-choice version characterised by its emphasis on institutions as coordination mechanisms generating equilibria on the one hand, and historical institutionalism on the other, with its focus on how institutions come into being and how they interact with specific temporal processes (Thelen 1999). Hall (2003) approaches this point from a more fundamental perspective, defending the small-*N* research characteristic of historical institutionalism as a viable way of overcoming a growing divergence between, on the one hand, the ontologies of comparative politics with its theories of path dependence and strategic interaction and, on the other, the field's increasingly statistical methodologies. Similarly, in Skocpol's (2003) view, the unique strengths of this approach lie the in its ability to build causal generalisations through contextualized comparisons and process tracing, as well as in the observation of causality-relevant temporal processes that she claims are in danger of getting overlooked in purely game-theoretical or rational-choice approaches as arguably advocated by King, Keohane, and Verba (1994).

It might be in Steinmo's null-hypothesis depiction of political science prior to the emergence of historical institutionalism that its characteristics and contribution become clearest: 'Institutions were either functional solutions to social problems or simple arenas where political battles took place. In either case, the specific construction of the arenas as such were not considered an important variable for determining the battles' outcome' (Steinmo 2008, 155 f.). As opposed to this, historical institutionalism is an approach that deals with 'Big Structures, Large Processes, Huge Comparisons' (C. Tilly 1984). Making it the theoretical basis of this thesis is sensible not only because inferences about current and future developments in European capitalism require a structural understanding of its past. Another factor is the nature of comparative historical analysis as 'doubly engaged social science’, pursued to understand real-world transformations while also trying to build causal hypotheses and theoretical frameworks (Skocpol 2003). Comparative historical analysis can help us achieve a more structured understanding of the longer-term, institutional underpinnings of recent, very real developments such as political reactions to the eurozone crisis. At the same time, however, the approach is itself in need of conceptual refinement and evolution, as is especially reflected in the on-going debate about patterns of institutional change and stability. It is this theoretical question to which my thesis also seeks to make a contribution.

Continuities in the historical development of state institutions and their impact on politics are key topics in this thesis. They had long been central in the writings of a number of grand theorists (see Huntington 1968; Moore 1969; C. Tilly 1992; Rokkan 1999; Fukuyama 2011). Similarly, first attempts to establish comparative historical analysis as a theoretical approach in the social sciences began with the promise of ‘Bringing the State Back In’ (Evans, Rueschemeyer, and Skocpol 1985). In particular, the evolution of social policies, welfare states, and industrial relations have been of interest for historical institutionalists from the beginning (Skocpol and Amenta 1986; Thelen 1991; D. King 1992). This work has subsequently fed into the identification of distinct welfare regimes (Esping-Andersen 1990; Huber and Stephens 2001). However, broader topics such as the medieval and early modern roots of modern political and economic institutions continue to feature also in more recent work (Ertmann 1997; Greif 2006).

A key conceptual mechanism behind the institutional resiliency identified in most of these studies is path dependence. Referring to the famous example of the QWERTY keyboard, Paul David defines path dependency as a process ‘of which important influences upon the eventual outcome can be exerted by temporally remote events, including happenings dominated by chance elements rather than systematic forces’ (David 1985, 332). Borrowing from economic concepts such as sunk costs, Pierson (1993; 1994; 1996; 2000; 2001) subsequently framed path dependence in a more rigorous manner, pointing especially to the stabilizing effect of increasing returns vis-à-vis the constantly rising cost of exiting a once-chosen route. Conversely, positive policy feedback will increase over time, making change less likely (Skocpol and Amenta 1986; Amenta 2003).

However, a quickly growing strand of the literature has also begun to ask for the conditions and trajectories of institutional change. This work suggests that, given the principally contested nature of political decision-making, the logics usually associated with stability might at times trigger processes of institutional evolution, for instance via dynamics of layering and conversion (Thelen 2003; Streeck and Thelen 2005; Hall and Thelen 2008; Mahoney and Thelen 2010). In light of the dynamics of globalization and welfare reform, the areas of social policy and industrial relations have once more been playing a decisive role in this context, for instance regarding the analysis of growing labour-market liberalisation and dualisation (Thelen 2012; 2014). It is at this point that my thesis also seeks to make a contribution to the theoretical debate. I start out from Greif's (2006) insightful observation that since the rational-choice analyses of Williamson (1985), North (1981; 1990), and Weingast (1996), the trend remains unbroken to explain dynamics of both institutional stability and change by reference to factors outside these institutions. This also counts for the aforementioned, recent work on institutional change, which largely pictures the crucial political contestation over institutional design as exogenous to these institutions – a problem this thesis seeks to address.

1.3.2 Key actors and institutions

Ultimately, the question of institutional change versus stability in capitalist societies throws us back to the infamous problem of structure versus agency in the social sciences. How, then, is this thesis going to depict the historical interplay between path dependent institutions on the one hand and individual actors engaging in political contestation on the other? Table two provides a schematic overview of the evolving constellation of actors carrying – and acting within – coordinated-subsidiarity arrangements, with the arrows representing periods of relative continuity regarding the shape of actors involved. For instance, the actors behind basic forms of economic coordination remained relatively stable from the Middle Ages to the early modern era: these were largely the key players in the guild economy – master artisans and journeymen. As opposed to this, the nature of key political actors changed slightly in that timeframe, with the function of local city council members and princes under medieval communalism gradually taken over by lower-level members on new representative bodies in the emerging territorial states. Despite the challenge of beginning industrialisation, this political setup remained intact at first, but the economic realm saw the emergence of the modern class division between workers and employers. The latter remained unchanged until 1914, but fostered the emergence of a different set of actors in modern politics: from now on, officials of the emerging mass parties became the central actors, working for political pragmatism and electoral reform in cross-class coalitions – again, as I will show, starting out from the local level.

Time period	Political decentralisation	Economic coordination
Middle Ages (400-1517)	Local and city council members with local princes/bishops (communalism)	Artisan/merchant guilds with journeymen and brotherhoods
Early modern era (1517-1806)	Lower-level representatives with territorial authorities; or outright federations of cities	↓
Towards industrialisation (1806-1871)	↓	Employers and their associations (chambers) with unions and work councils
Modern politics (1871-1914)	Locally-grounded mass-party officials in cross-class coalitions for pragmatism, electoral reform	↓

Table 2: *Evolving actors, continued decentralisation-coordination complementarities*

The purpose of the summary in table two is to highlight how despite the evolution of individual actors involved, the coordination of interests remained in place in subsidiarity-based institutions in both the political and economic realms. Especially the claim of continuity between masters and journeymen on the one hand and modern workers and employers on the other points us to once crucial concept and the possibilities and limitations of its usage for historical analysis: class. The work of Jürgen Kocka is of tremendous importance in this context. During the 1980s, Kocka engaged precisely in the attempt to utilise the concept of class, which was in his view under-represented in West German historiography, for the analysis of the rise of Germany's "organised capitalism" and working-class formation. His carefully crafted four levels of analysis (processes of societal change triggering class formation; the emergence of work for wages; growing class consciousness; beginning collective organisation) inform Kocka's attempt to 'utilize the power of class analysis while avoiding its trappings' (Kocka 1986, 281). The result is a framework for analysis that is dynamic and non-teleological enough to allow, for instance, for different interests among workers, which will also play a key role in this thesis, without having to revert to accusations of "false consciousness", which were of course dominant in the Marxist school in East Germany at the time of Kocka's writing. Most importantly, however,

> within this framework it would be difficult to state that the process of working-class formation was finished at a certain point in time (e.g., by the 1830s in England, and by the 1860s in Leipzig). It is equally difficult to determine when processes of class formation begin (Kocka 1986, 283).

With all due caution, Kocka's open, dynamic and pragmatic framework enables us to identify basic class dynamics historically. These do of course not amount to the formation of a fully-fledged working class in pre-industrial times, which could stand a one-on-one comparison with the workers' movement in the heydays of coordinated capitalism in the 1960s. However, the identification of direct similarities is neither intended nor necessary by the logic of the argument I put forward here. Recall that we are looking for traces of *proto*-coordination, i.e. at least basic patterns of the use of non-market mechanisms reconciling the interests of actors who, by reference to Kocka's framework, are characterised by at least some form of shared economic interest within their group (the journeymen), and a complex relationship of dependence yet conflict with another group (the master artisans). For instance, the master artisans and journeymen of the late Middle Ages featuring in this thesis were living through a period of changing production mechanisms, growing work for wages, and responded by organising in their own associations in order to further their interests vis-à-vis master artisans. This connects directly to Kocka's classification of journeymen in Germany around 1800 as constituting part of the lower classes (Kocka 1986, 283 ff.).

However, even if we do not share this categorisation, what matters for the purpose of the analysis here is that whether based on the capital-labour cleavage or on pre-modern conceptions of work, urban society and religion, functionally different types of actors in the pre-modern economy, such as journeymen and master artisans, did organise in groups interacting with each other in order to coordinate the provision of goods such as vocational skills and basic welfare. At the very least, Kocka's more dynamic interpretation of class formation increases our awareness of the fact that the boundaries between models of societal organisation in modern and pre-industrial societies are less clear-cut than is commonly assumed. It is in light of these considerations that I claim that the concept of proto-coordination can be applied historically even without the existence of fully-fledged class cleavages in the sense of modern industrialised society.[1]

[1] In methodological terms, by referring to class in Kocka's sense I increase the extension of the concept, which comes at the cost of its intension. This allows us to climb up Sartori's 'ladder of generality', avoiding the danger of 'conceptual stretching' while still identifying basic patterns of coordination not only in industrialised but also in pre-modern economies (see Sartori 1970). Since coordination is, however, a 'radial' rather than a 'classical' category, it is 'secondary' subform of *proto*-coordination used in my thesis, which offers greater generality than its parent category (see Collier and Mahon 1993).

1.4 METHODOLOGY: CONTEXTUALISED COMPARISONS

In order to identify causal relationships, we need to structure the comparisons between the centralised/non-coordinated and the decentralised/coordinated type under subsidiarity identified in my thesis. In line with the prescriptions in the literature on Qualitative Comparative Analysis (Ragin 1987), the idea is to extract from the complexity of real-word historical experience specific combinations of variables that yield the outcome of coordinated market economy as a result. Following the discussion started by John Stuart Mill (1888) and continued by Skocpol and Somers (1980; see also Przeworski and Teune 1970), my analysis will for this purpose entertain the comparative methods of both agreement and of difference.

Indicator	**Germany**	**Netherlands**	**Switzerland**
Moment of nation state formation	Late, 1870/71	Early, 1581	Early, 1648
Dominant interpretation of force driving state formation	Prussian-led authoritarianism (Sonderweg)	Urban confederal republicanism	Patrician-dominated oligarchy
Modern form of government	Federal republic	Constitutional monarchy	(Multi-ethnic) confederation
Dominant principle of organising the polity	Subsidiarity	Subsidiarity	Subsidiarity
Modern variety of capitalism	Coordinated	Coordinated	Coordinated

Table 3: *Method of agreement applied to select of comparisons from this thesis*

The method of agreement helps us to single out crucial similarities among otherwise differing cases. In my thesis, this method is applied to the comparison of the historical development of modern coordinated market economies in Northwest Europe, by amending my analysis of Germany with a specific section analysing developments in one of my two main comparative cases, the Netherlands. However, this can in principle be expanded to also include places such as Switzerland. In the schematic tables presented by Skocpol and Somers (1980, 184) to sum up the method of agreement – a method that will feature in the summary section of each substantive chapter of my thesis – the second-to-last row highlights the independent variable, while the last row contains the dependent variable. However, as mentioned before, my focus is rather on the institutional complementarity, the mutually re-enforcing interplay between coordination and decentralisation under subsidiarity, which has so far been overlooked in its importance. Following the example of these schematic overviews, table one highlights that for two of the three cases shown here, some variables might take on the same or very similar value; for instance, early state formation in both Sweden and Switzerland, as well as federations in Germany and Switzerland. However, only subsidiarity as the dominant principle of organising the polity and coordination as the modern varieties of capitalism apply to all three cases, uniting a federal republic with a constitutional monarchy, and a late-coming nation state with two that formed early. This pattern provides evidence for the explanatory power of the mutually re-enforcing relationship between these two institutions while rejecting competing explanations at the same time.

However, in order to further clarify my argument, I amend the method of agreement with the comparative method of difference both across nations and within them, on a sub-national level (see Ziblatt 2006 for an example of the fruitful results of this strategy). In this case, we look for similarities across the cases compared in order to single out crucial differences that explain diverging developmental paths. Historically comparing, for instance, two regions from my other main comparative case, presently non-coordinated France (the Ile de France around Paris and the North-eastern Lille region) with the Prussian heartlands of Brandenburg and the Western province of the Rhineland in Germany, we see that the two modern countries share a similarity: albeit to varying degrees, they are both made up of regions with traditions of subsidiarity and proto-coordination on the one hand (Lille and the Rhineland) and of places with histories of centralisation and non-coordination (Ile de France and Brandenburg). Modelled, once again, on Skocpol and Somers' schematic tables, and grouped from West to East, table two highlights that despite the Franco-German commonality of sub-national divergence the resulting modern, national varieties of capitalism is different. This corresponds to the crucial, cross-national divergence in the dominant principle of modern political organisation, which is highlighted by usage of the method of difference.

The method of difference therefore leads us back to the importance of tracing historical processes over time, in this case by highlighting and analysing the exact trajectories in which the large areas characterised by the institutional complementarity of proto-coordination and basic forms of political decentralisation under subsidiarity retained rights of self-administration in Germany, while economically comparable, but much smaller areas on the geographical margins of France fought for their independence for centuries but were ultimately incorporated into the early-centralising state. This helps to identify the presence and relative strength of the subsidiarity model on the area of present nation states as the variable explaining the emergence of persistent, cross-national varieties of capitalism. As a result, it will become clear how the link between proto-coordination and decentralisation under subsidiarity is a characteristic pattern that Germany shares with places such as Austria, Belgium, Switzerland and the Netherlands. At the same time, the focus on subsidiarity will not only contrast Germany with other centralised, non-coordinated political economies such as Ireland and the United Kingdom, but also differentiate European developments from those in politically federal, liberal market economies such as Australia, Canada and the United States, even though the latter group is not part of my comparative setup in this thesis.

Indicator	**Ile de France**	**Lille**	**Rhineland**	**Brandenburg**
Moment of state formation	Merchant domination	Patterns of artisan proto-coordination		Large-estates domination
Historically dominant principle of organising the polity	Centralism	Subsidiarity		Centralism
Modern dominant principle of organising the polity	Centralism		Subsidiarity	
Modern variety of capitalism	Non-coordinated		Coordinated	

Table 4: *Method of difference applied to select comparisons from this thesis*

1.5 A REVIEW OF THE LITERATURE

1.5.1 Varieties of capitalism and typologies of the welfare state

The term coordinated market economy, coined by Soskice (1999), gained prominence as part of the varieties of capitalism paradigm (Hall and Soskice 2001), but this school was itself built on lively interactions with older approaches. Any debate of these underpinnings has to start with the works of Schmitter (1974) and Cameron (1984) on corporatism. This approach was characterised by a focus on the role of powerful, centralised unions, cooperating with strong Social Democratic parties in government, as in Peter Katzenstein's *Small States in World Markets* (1985). In this sense, corporatism was based very much on the assumptions of power resource theory (Korpi 1974). Based on this, during the 1980s, researchers began to identify entire welfare models, as in Esping-Andersen's *Three Worlds of Welfare Capitalism* (1990). However, this typology remained deeply rooted in power resource theory and corporatism, differentiating between states based on how far the political left could advance towards the de-commodification of labour, with liberal economies the farthest away from, and the social democratic model coming closest to this ideal. Therefore, the question arose whether existing research had overlooked employers. The importance of their consent to coordinated arrangements with organised labour took a place at the core of a new strand of research (Soskice 1999). The ensuing focus on industrial relations had already featured in the work of Goldthorpe (1984), albeit with the traditional focus on unions, not employers. As Thelen (2002) highlights, these works led to a broader interest in the interconnections between wage bargaining and monetary policy, patterns of financial sector organisation, and vocational training schemes (Ebbinghaus and Manow 2001; Huber and Stephens 2001; Iversen, Pontusson, and Soskice 2000).

It was out of this context that the varieties of capitalism paradigm emerged. According to Hall and Soskice (2001), in coordinated market economies, employers have a strong interest in the mutually re-enforcing interplay of institutions providing collective bargains, stakeholder financing, vocational training, and cross-firm cooperation for technological innovation. As opposed to this, employers in liberal market economies prefer deregulated labour markets, shareholder financing, general skills, and competition rather than cooperation. This generates two equilibrium outcomes of company behaviour: a liberal one based on market mechanisms of supply and demand, and a coordinated one resulting from strategic, often non-market based interaction. In contrast to this economic argument, Thelen (2002) identifies a preference-oriented, political perspective focused on employers' choices for coordination at critical junctions (see Swenson 1989; Manow 2000; Mares 2003). Streeck's (2001) sociological perspective on 'embedded capitalism' – not unlike Michel Albert's (1991) notion of Rhineland capitalism – constitutes yet another strand of research. However, all these approaches share a relational view on economic actors, analysing their interactions.

Whether or not institutions are seen as reflecting equilibria, therefore, none of these approaches is principally at odds with focusing on specific political processes of preference formation and choice. On the contrary, in varieties of capitalism, the institutional setup of a national economy requires 'periodical reaffirmation by appropriate historical experience' (Hall and Soskice 2001, 14). Meanwhile, the result of these political processes is again influenced greatly by institutions such as electoral systems (Cusack, Iversen, and Soskice 2007; 2010a; Iversen and Soskice 2009). Similarly, negotiations across the class cleavages between workers and employers have been of interest for varieties of capitalism from the beginning (Hall and Soskice 2001, 50 f.), despite all criticisms of institutional determinism (Crouch 2005).

1.5.2 Proto-coordination and the reappraisal of the guilds

Empirically, traditional historiography had long seen non-market mechanisms as having initially served as a state-controlled means to stabilise the societal order of the late 19th century by correcting for some of the unwanted effects of industrialisation in typical coordinated market economies such as Germany (Rosenberg 1967; Saul 1980; Nipperdey 1991, 335 ff.). One of these was the increasing influence of parliamentary party politics (Rauh 1977; Schönberger 1997), but the rise of the labour movement posed the biggest challenge (Wehler 1995, 662 ff.). Despite calls to examine 'the degree of the inclusion of the workers' movement into the evolving system' (Kocka 1980, 627), the bulk of the literature has traditionally assumed that in Germany, the paternalistic provision of welfare and social protection, as opposed to managed conflict or coordination, served as the main strategy to deal with the emerging working classes. The underlying *Sonderweg* concept becomes apparent here, stressing the unique conflictive character of German politics, its structural authoritarianism and democratic immaturity (F. Fischer 1991; Wehler 1985). In this view, cross-cleavage coordination could only evolve once the labour movement was able to force employers and conservative elites into it (Wehler 1995, 664), which became possible only in the context of WWI (Feldman 1966). Scholars of the "social market economy" locate the onset of cross-class coordination even later, after WWII (Peacock and Willgerodt 1989). Relying on historians' concepts such as Bismarckian 'state socialism' (Dawson 1891), 'organized capitalism' (Winkler 1974), and Wilhelmine 'state corporatism' (Abelshauser 1984), most comparative historical analyses see Bismarck's late 19th century legislation as the starting point for coordination (Crouch 1994; Manow 2001b; Streeck and Yamamura 2001; Thelen 2004).

However, the idea of top-down imposition is puzzling in light of the de facto long-run stability of coordination despite the frequently changing political regimes during Germany's tumultuous 20th century history (Hentschel 1983, 12). In line with this, Herrigel's (1996) re-assessment of German industrialisation allows for individual, small-business preferences as key drivers behind regional patterns of coordination. Still, cross-class cooperation remains a side topic in this work. Meanwhile, competition theory does account for mutually shared interest in cross-cleavage coordination, albeit solely as part of a plot to diminish competition via labour-market price cartels (Haucap, Pauly, and Wey 2007). Off the beaten *Sonderweg*, meanwhile, the standard view on German history has been refined towards a less deterministic interpretation over the years (Blackbourn and Eley 1984; Nipperdey 1992; Clark 2007), but authoritarianism somehow remained key for the explanation of the origins of Germany's coordinated market economy in comparative historical analysis. On the root of this might be the implicit equation of coordination with consensus. Despite the fact that, however far-reaching proto-coordination quickly became, '[t]he fundamental contradiction between the interests of capital and work cannot be undone by capitalist planning' (Winkler 1974, 11; also Crouch 1994, 53). By managing them, coordination effectively helped preserve the fundamentally conflictive characteristics of Wilhelmine class relations rather than abandoning them.

Empirically, the roots of this institutionalised conflict management can be traced back much longer, to medieval guilds and journeymen associations. Historical institutionalists tend to treat them as a mere basis for the Wilhelmine construction of a political bulwark against the rising working classes (Swenson 2002; Thelen 2004; Martin and Swank 2008). This is surprising in light of an on-going debate among historians. In contrast to liberal critiques of medieval economic regulation (Mickwitz 1936; R. Ennen 1971; Ogilvie 2011), advocates of the 'rehabilitation' of medieval guilds have highlighted the crucial role these institutions had long played for local skill-formation and product innovation. The literature suggest they did so by indeed providing basic forms of proto-coordination between the master artisans and journeymen (S. A. Epstein 1991; S. R. Epstein 1998; S. R. Epstein and Prak 2008; Fröhlich 1976; Lis and Soly 2008). The same can be said of the even older, but comparably understudied miners' brotherhoods (J. Boyer 1995; Guinnane and Streb 2010). From a theoretical perspective, these studies have benefitted from ground-breaking work to 'utilize the power of class analysis' (Kocka 1986, 281) also for the historical analysis of pre-industrial times. Despite their formal abolition, the guilds remained influential well into the 19th century, with successor organisations growing out of them (Haupt 2002; Kluge 2007). In this context, case studies have analysed the role of chambers of commerce (W. Fischer 1964; Dorsch 1982), the attempts of state administrators to foster economic development via proto-coordinated institutions (Brand 1992), and of the continuity of self-perceptions as craftsmen, not class-struggling proletarians, of 19th-century workers in the emerging chemicals, metallurgy and manufacturing sectors (Stolle 1980; Boch 1985; Magnusson 1994; Laufer 1997).

Historians suggest to 'relate variations in socio-economic positions to divergent constellations of political power that emerged in the late Middle Ages' (Soly 2008, 48). However, more work needs to be done on the exact political processes in which regional proto-coordination came to shape national political economies of the late-19th century (see Martin 2011). Recent studies have made first steps, arguing that the introduction of proportional representation (PR) as electoral system served as a means to transfer local proto-coordination to the emerging national level (Cusack, Iversen, and Soskice 2007; 2010a; Iversen and Soskice 2009). 'Non-economists tend to see more than preferences at work. What this calls for is a theory of political processes that can explain the specifics of diverse social policy choices and outcomes' (Schelkle 2012, 19).

1.5.3 Subsidiarity and theories of state-formation

What were the 'constellations of political power' underlying the resilience of proto-coordinated traditions in modern coordinated market economies, and how did they differ from those in modern liberal market economies? Given that historians locate the roots of proto-coordinated institutions in the local and regional economies of medieval cities, towns, and communities, the topic of political decentralisation emerges as an interesting lead from the literature on European state formation, empowering these local political economies. Rokkan (1999) famously points to a belt of economically advanced and politically independent cities at the centre of Western Europe over which emerging central states found it difficult to execute authority. As a result, this region was characterised by a 'capital intensive' mode of state formation, as opposed to the 'coercion intensive' model east of the river Elbe and the hybrid, 'capitalized coercion' in the west (C. Tilly 1992). Recent work on the origins of inequality also highlights this decentralised sphere of city-states in between competing kingdoms (Boix 2010). Research has also suggested links to outcomes such as political and economic integration (Hechter and Brustein 1980), consensus and 'corporatism' (Lijphart 1999), as well as preferences for redistribution (Beramendi 2007).

However, beyond mere correlation, the ways in which forms of political decentralisation might have facilitated the transfer of local coordinated traditions to the emerging national economies has not yet been elaborated systematically. Moreover, existing work usually equates decentralisation with federalism. This is surprising given the work on more complex forms, especially subsidiarity. While wrongly often considered a product of 19th and 20th century Catholic social teaching, it were, in fact, Calvinist thinkers of the 16th and 17th century such as Johannes Althusius (ca. 1563-1638) who initially developed subsidiarity as a political concept. In reaction to the early modern Catholic agenda of imperial centralisation, they aimed at safeguarding local patterns of community organisation. The underlying argument was that families and local communities as the smallest units of societal life were 'governed by special sets of rules specific to them, and not by a general rule of sovereignty' (Hueglin 2003, 279). These local structures therefore required tailor-made governance and administration, which could not be provided by distant political centres. In contrast to the (modern reference) model of decentralisation later developed by the Federalists of the emerging United States – a variant characterised by its strictly rights-based, clear-cut allocation of political authority to different levels of government – Althusian subsidiarity was concerned with the bottom-up management of multi-level interaction and complexity, the constantly negotiated allocation of political power among plural communities (Hueglin 2003).

In the Westphalian Peace agreement, subsidiarity and territorial representation prevailed over the Catholic agenda of Imperial centralisation (Hoke 1998). Their entrenchment in the political organisation of early modern states at the heart of Western Europe remained intact for centuries to come. In contrast to claims that after WWII, 'institutional life would start almost anew' in places such as Germany (Olson 1982, 76), for instance, scholars like Lehmbruch argue that institutional design rather reconnected to a traditional 'hybridization of federalist and corporatist elements on the national level with the emerging bureaucratic state on the sub-national level' (Lehmbruch 1996, 43). It is obvious how later studies of German federalism reconnect to this view (Ziblatt 2006). This federalist explanation of corporatism offers an alternative to the political centralisation thesis put forward in Katzenstein's *Small States* (1985). It also connects seamlessly to studies on the importance of decentralisation among economic actors as a crucial variable for the overall stability of Germany's coordinated market economy (Thelen 1991; Herrigel 1996). Yet the identification of decentralisation as a crucial political precondition for the emergence of the German model has so far received brief mention only by some historical institutionalists (for instance Thelen 2004, 6) instead of being explored as an alternative path to the beaten *Sonderweg*.

1.6 ORGANISATION OF THE THESIS

Following this introduction, my thesis will be split into four parts.

The first part will set the historical stage, starting in the days of the Holy Roman Empire (around the year 400 AD) and ending in 1517, the year in which Martin Luther posted his 95 theses, thereby triggering the era of religious quarrels and starting the early modern era. It will comprise of two chapters dealing with the earliest roots of the subsidiarity-based Rhineland model: the second chapter will separately trace patterns of decentralisation and proto-coordination back to the Middle Ages, discussing the role of medieval guilds as the earliest forms of proto-coordinated institutions, and the emergence and continuity of a specific form of political decentralisation at the geographical heart of Western Europe, along the Rhine. The subsequent third chapter will then analyse the historical development of the complementarity and mutual re-enforcement of these two institutions. Separate subsections will analyse how as a result, guild and brotherhood-dominated economies in the Holy Roman Empire developed differently from those West of the Rhine, in France.

The second part of this thesis will then turn to the challenges the complementarity between decentralisation and proto-coordination came to face during the early modern period. Starting in 1517, this section will span until 1806, the year in which following the Napoleonic wars, the Holy Roman Empire finally ceased to exist, and the modern era arrived east of the Rhine. The fourth chapter will show how political decentralisation survived the onslaught from rising territorial states (the challenge of Leviathan) specifically by the invention of subsidiarity as a principle of organising the polity. Chapter five will then turn to the interplay with the survival and new forms of coordinating the economy under the conditions of proto-industrialisation. Both chapters will be sub-divided into a part dealing with the homogenous Rhineland case of the Low Countries, the mixed case of the German lands, and the early centraliser, France. Over the course of this section, it will become clear that today's coordinated market economies with their deeply ingrained decentralisation-coordination nexus under subsidiarity responded quite differently to early modern challenges than their West European counterparts. Despite the construction of new territorial states, updated forms of political decentralisation – most notably, subsidiarity – persisted. In complementarity to this, traditions of coordinated human-capital capital provision survived the formal abolition of the guilds, thereby shaping also the earliest forms of industrialisation.

The third part of my thesis will then analyse modern trajectories between 1806 and the temporal endpoint of this thesis, WWI. Chapter six will analyse processes of nation state formation across Europe, pitting against each other established early centraliser France and infamous latecomers such as Germany – as before, the purpose is to highlight divergences and continuities regarding subsidiarity in the political realm. The seventh chapter will then show how, under the conditions of beginning 19th-century (heavy) industrialisation and the emergence of the modern class cleavage between capital and labour, the continued complementarity of political and economic subsidiarity in the form of proto-coordination gave rise to the first, tentatively proto-coordinated, private welfare schemes in the Rhineland, and much more paternalist structures in France.

In the fourth part of my thesis, finally, we will follow the rise of subsidiarity to the new level of industrialised, nation-wide political economies. The specific goal here is to show how, first, the continued presence of subsidiarity fostered the design of nationally coordinated industrialised economies that manifested themselves in public welfare schemes and evolving industrial relations discussed in chapter seven. Overall, it will become clear that thanks to subsidiarity – and contrary to the usually assumed, authoritarian process of top-down imposition – coordinated traditions effectively managed to "climb" up a ladder – from the local arena of the individual, newly-industrialised shop floor to national welfare schemes in the Rhineland. In France, progress on this front remained limited. Chapter nine will then show how, as respective economic interests became influential and dominant in the newly formed national political economies, the eventual outcome was the re-design of the political game itself: the rise of political pragmatism, enabling consensual, grand coalition style politics across the emerging class cleavage of capital and labour. Crucial was, once more, the continued presence of subsidiarity, which set the Rhineland apart from France, where cross-class coalitions remained more difficult to construct.

Against the backdrop of these historical findings, the subsequent conclusion will at the same time take a brief outlook. After briefly connecting my findings to the recent debate about proportional representation, I will highlight that our lack of understanding of the subsidiarity-coordination nexus has led to unrealistic expectations – first and foremost in Berlin – of other, non-subsidiar countries to build institutions delivering comparable competitiveness-enhancing reforms in the context of the eurozone crisis.

PART I: SETTING THE STAGE

2 Up and down the Rhine: The city belt and the power of medieval guilds

The central argument of this thesis is that the institutional complementarity of decentralisation and coordination under subsidiarity explains the stability of a core of coordinated human-capital formation at the centre of political economies along the Rhine over centuries and well into the present day. However, before this mutually re-enforcing interplay will be discussed in the following chapter, this section sets the historical stage by carving out each of the two variables separately. Specifically, this chapter will show how both early versions of political decentralisation on the one hand and basic forms of economic proto-coordination on the other date back much longer than to the early modern era, potentially even to fundamental principles of tribal life and patterns of urbanisation in the Roman Empire. In other words, this section will deal with the earliest roots of decentralisation before the introduction of subsidiarity as a normative programme, as well as with basic forms of coordination before industrialisation. Only against this backdrop developed in this chapter will it then become possible to speak to the institutional complementarity between these two institutions in the following section.

In this and the following chapter, I will start my discussion in the days of the Roman Empire and end before 1517, the year when Martin Luther posted his 95 theses at the door of the castle church in the East German city of Wittenberg, thus starting the age of reformation – in fact, the early modern period – with its political quarrels. These struggles were soon to become the backdrop against which Calvinist thinkers came to develop subsidiarity as a normative political concept.

In the first subchapter I will discuss what emerges from historiography as the institutional bearers of a local phenomenon called proto-coordination: medieval guilds, journeymen associations, miners' brotherhoods and comparable institutions. I will show how I build my depiction of the medieval guild system as a forerunner of modern coordination on the recent reappraisal of the guilds (Lucassen, De Moor, and van Zanden 2008) by economic historians. In the second part of this chapter, I will then turn to politics, identifying basic patterns of political decentralisation pre-dating early modern forms across a long geographical stretch at the heart of Western Europe, which also covered – but was by no means limited to – large parts of west and southwest Germany. The goal is to show how in the process of European state formation, the geographical centre of Western Europe developed decentralised political institutions while east and west of it, early-centralised polities emerged.

2.1 The economy: Guilds and the reappraisal of medieval proto-coordination

Proto-coordinated institutions – most importantly: the guilds – ruled the urban political economies in many parts of medieval Europe. In most general terms, they can be defined as 'formal association of specialised artisans' (S. R. Epstein 1998, 685). Their stronghold were the medieval cities whose ascent to the main locus of political and economic activity had come about in the economic upturn of the eleventh century, spurred by emerging long-distance trade, the crusades and the gradual transition from subsistence to market economy (Sieg'l 1993, 22; Kluge 2007, 57 ff.). This subchapter will analyse the function of the guilds in the pre-modern economy, highlighting similarities to modern coordinated institutions, and therefore explaining their labelling as proto-coordinated institutions.

The assessment of the guild economy had traditionally been negative in much of the existing literature. It tied in seamlessly with a remarkably deterministic view on economic development and innovation. Starting with Adam Smith and French physiocrats like Turgot, the dominant view had long been that guilds obstructed the necessary path towards economic liberalisation and the free market. In this view, the primary function of guilds was to grant monopolies to certain groups of rent-seeking economic actors in order to limit market access for potential competitors, resulting in economic stagnation. Consequently, Gustav Schmoller, the 19th century father of the new school of national economics in Germany, saw in the guild economy the incarnation of boredom, apathy, philistinism, and indolence of pre-modern society. Max Weber, too, tended to reduce the role of guilds to their power of monopolisation (see Haupt 2002, 9 ff.; S. R. Epstein 1995 for overviews).

These assumptions as well as the resulting condemnation of the guild economy have remained largely stable characteristics of this school of thought over centuries (for instance De Laveleye 1874; Mickwitz 1936; R. Ennen 1971). Recent studies in this tradition have bemoaned that, contrary to earlier accounts drawing a direct line between the shortcomings of medieval guilds and their formal abolition in the early modern period, these institutions did, in fact, remain remarkably stable. Ogilvie (2011), for instance, depicts guilds as rent seekers and blames their alleged hostility to technological innovation and social emancipation for a weaker performance of some societies during industrialisation compared to the guild-free economies of 'the north Atlantic seaboard' (Ogilvie 2010, 321). The main problem with this view is that it is unable or unwilling to account for variety in capitalist development. Underlying these studies is not only a normative claim in favour of liberal market capitalism but also the idea that this latter form of capitalism is the only variant compatible with economic development. The difference between liberalised and guild-based economies, thus, becomes one of progress versus stagnation.

In contrast, I am assessing the guild system against the backdrop of more recent advances in political economy, therefore allowing for different paths and greater diversity in economic development. From the vantage point of varieties of capitalism, for instance, the traditional approach is problematic due to its much too narrow focus on market access, and its lack of recognition for more complex coordination problems, which effectively leads to a blind spot for the wider effects of economic institutions. Similarly, from the work of historians, the guilds emerge as only one aspect of a broader, structural pattern of reliance on non-market mechanisms in governing the political economies of some countries and regions. Closely connected to this issue is the one-dimensional understanding of innovation that prevails in most traditional accounts of the guild economy. As the work of historians reminds us, the guild economy can be labelled as stagnant only if exclusively one type of development, radical innovation, is allowed for. Again, the consequence is a neglect of other variants such as incremental innovation – small-scale improvements in high-quality manufactured product lines instead of the radical departure dominant in the highly dynamic technology and services sectors (see Hall and Soskice 2001).

Starting in the 1980s, a second strand of research therefore began to address the problems of the existing literature, defending the guilds against many of the previous, damning verdicts. Based on historical evidence regarding the remarkable long-term stability of central patterns of the guild economy, scholars largely flipped around the hypothesis of guild persistence based solely on their stifling of market access. Instead, they based their re-evaluation of the guilds on the following question:

> Should guilds as institutions have defined the European city economy for so long without the ability to change, without them contributing to changing economic and social conditions of the city, and without them administering positive functions for the economy, society and self-administration of the city or the territorial-state order? (Haupt 2002, 9)

While for research in the tradition of normative-liberalist historiography, the perseverance of the guilds only proved the strong interest that rent seekers possessed in locking competitors out of the market and clinging on to out-dated production techniques (Ogilvie 2011), advocates of the so-called rehabilitation thesis have ascribed a much more diverse set of functions to these institutions. Georges (1993, chap. 1.1), for instance, has described guilds as poly-functional social institutions in which market regulation was just one goal among many. Other aims included social control, supply of public goods, socialisation and political participation. From the perspective of this strand of research, it was an entire set of coordination problems that made medieval guilds an attractive tool for organising the political economy – a view that seamlessly connects to a relational view on economic actors underlying modern theories of capitalist diversity. Among other things, artisans wanted to organise economic affairs based on religious principles; protect individual and family possessions; control members economically and morally; repel fraudsters potentially damaging an entire craft's reputation; look after widows, orphans, the sick and elderly; and to supervise training standards on which the entire sector depended (Fröhlich 1976, 19). Scholars of the earliest medieval guilds in Italy, France and the Low Countries have provided further evidence for this more differentiated view (S. A. Epstein 1991, chap. 2). In a similar vein, Kluge (2007, 60) points to the important role guilds played in serving the wider medieval goal of stabilising society and preventing chaos and anarchy in an environment of still weak state authority.

For our purposes, recent research by a group of economic historians aiming at a rehabilitation of the guilds is of specific interest. In their view, guilds helped reduce transaction costs by creating a stable environment motivating craftsmen to invest in skills; by coordinating complicated production processes; and by reducing information asymmetries between producers and customers at the marketing stage (S. R. Epstein and Prak 2008, 4). 'To some, guild statutes portray a dreary world of conformity, but the more positive aspects of guild life ... reveal a system of education and a pride in craftsmenship conducive to technological progress' (S. A. Epstein 1991, 246). According to this line of reasoning, and contrary to traditional claims, guilds did foster a distinct process of product innovation in three ways: by establishing favourable environments for technological change, for instance by supporting cross-fertilisation within local production clusters; by promoting technological specialisation through training regulations and the tradition of artisan mobility (*Wandern*); and by granting inventors with monopoly rents that made incremental innovation economically attractive (S. R. Epstein 1998, 701 ff.). Unsurprisingly given this focus on highly skill-dependent manufacturing, the part the guilds played in vocational training is central for these scholars, to the degree that advocates of the rehabilitation thesis have argued that,

> from the point of view of the individual artisan, the primary function of the craft association was to enforce contractual norms that reduced opportunism by masters and apprentices. Put somewhat differently, the main purpose of the craft guild was to share out the unattributed costs and benefits of training among its members. Guilds were cost sharing rather than price-fixing cartels (S. R. Epstein 1998, 687 f.).

The focus on skills required for the production of manufactured goods already hints at the fact that some of the rehabilitation advocates make their claims especially with regard to craft guilds, institutions in which artisans were in control of regulating their own production processes. While it would against this backdrop be unreasonable to speak of emerging class divisions in the medieval economy, we can, nevertheless, identify traces of beginning differentiation among groups of economic actors (Kocka 1986). As opposed to artisan guilds limited to and controlled by craftsmen, more inclusive guilds, which were open also to merchants, saw traders centralising economic powers in their hand and thus imposing regulations hierarchically on manufacturers, according to some historians. In this view, merchant dominance did in fact often lead to outcomes as described in the liberalist guild critique, for instance, guilds opposing product innovation. In craft guilds, however, master artisans did themselves turn into capitalist producers, thus developing a strong interest (and the legal and economic capacity) to innovate via their own entrepreneurial initiatives (Soly 2008).

The differentiation between merchant and artisan control offers an interesting approach to the medieval guild system, especially in light of Hugo Soly's striking comparison between innovative (artisan-guild controlled) Belgium and economically stagnating (merchant-guild dominated) Northern Italy during the early modern period. Other case studies, however, seem to suggest that differences in everyday political and economic practice might have ultimately been more muted than Soly's typology indicates (Schmidt 2009, 107 ff.; also Anz 1998, 19 as well as the following chapter in this thesis). Whether merchants or artisans were in control, what emerges from the existing literature is the insight that the regulation of skilled manufacturing was a central characteristic of those local economies over which proto-coordinated institutions had a strong say, including those regions where this proto-coordination occurred between miners organised in brotherhoods (*Knappschaften*) on the one hand and the state as a resource monopolist on the other (see J. Boyer 1995; Guinnane and Streb 2010).

How these skill regulations worked practically – and the degree of influence they quickly acquired over the entire production process – can be gauged from the example of Cologne, the biggest city in medieval Germany, where the country's first known guild, the bed-spread weavers' association, was established in 1149. An indicative case is the one of wool weaver Philip van Sleide. In 1417, he was ruled guilty of fraud after a guild jury had decided that a piece of fabric he had presented to the jury did not meet the association's tight product standards. Van Sleide was deprived of his membership in the collective and thus banned from executing his occupation. Under the Cologne industry jurisdiction of the wool weavers (*Gewerbegerichtsbarkeit des Wollweberamtes*), which had been fixed in writing in 1400 but had probably been practiced much earlier, the guilds enforced their agreed product standards in the form of product controls (*Schaugerichtsbarkeit*) like in van Sleide's case. They also supervised the production process (*Fertigungskontrolle*) in the first place. Cologne textile standards ruled that fabrics could only be sold in designated vending halls and with a special sealing that signalled the passing of the guild's quality controls. The fabric's length, breadth and all-over smoothness were prescribed as well as its weight. Moreover, the production process was regulated to the extent that work in the light was forbidden in order to ensure the fabric's quality. The use of specific types of combs and the adding of woollen rubbish was also ruled out, and the process of coloration was regulated in detail. Further stipulations dealt with the rinsing of fabrics in the river Rhine, the process of fixing them to drying frames and the usage of specific cutters for shearing. Also, a habitus of reservation was required in sales conversations. The way in which items were presented for sale had to follow specific rules as well. Punishments for non-compliance with these regulations reached from the destruction of a seller's fabrics to the loss of his weaving loom or the exclusion from the guild, which effectively amounted to an occupational ban. After all, van Sleide was lucky with the punishment he received. A few years later, a fellow Cologne weaver was found guilty of forging guild seals to circumvent quality controls. After having been sentenced by a guild jury, he was burned to death in 1433 (Brand 1990, 17 ff.).

However, the regulatory reach of the guilds did not remain limited to product control. In fact, there is evidence that most basic forms of vocational skills as co-specific assets began to emerge in the medieval economy of the 15th century. These made proto-coordination with their skilled workforce a preference for medieval master artisans and merchants, not least because this enabled them to offset the increasing manufacturing costs caused by growing product differentiation by means of large-scale production for export out of their limited domestic markets. The result of this pattern was the development of local economies in which businesses preferred to coordinate the production of skill-dependent, differentiated goods in large scales, enabling them to prevail in competition for export markets. The guild system seems to have been the institutional arrangement of choice for this task: it guaranteed a highly specialised and well trained workforce by organising the interests of merchants, master artisans and journeymen regarding issues such as income, free-time and welfare. The best indicator of this pattern is the organisational differentiation of the guild system that took place in the cities of the Holy Roman Empire during the first half of the 14th century. As Wilfried Reininghaus has shown in his seminal study, the emergence of more sophisticated techniques of artisanal manufacturing during that time – itself a proxy for rising levels of product differentiation – was indeed closely linked to the appearance of specific groups in which journeymen began to organise their interests in many cities. Additionally, the population decline caused by the Black Death pandemic in the middle of the 14th century had led to shortages in the labour market and put skilled workers in a stronger position vis-à-vis their masters who, with rising levels of product differentiation, increasingly depended on their journeymen's production skills (Reininghaus 1981, 61 ff.). As studies of legal history have shown, the resulting separate institutions – guilds for master artisans and journeymen associations – possessed their own, self-administered judicial systems (Brand 1990, chap. 1 and 2).

The emergence of these differentiated, self-administered and organised groups within the urban guild economy of the late Middle Ages was the institutional precondition for the emergence of basic patterns of proto-coordination, which soon started to evolve across cities in the empire. These organised relations between master artisans and journeyman were proto-coordinated in the sense that, though of a generally friendly character (Kluge 2007, 201 f.), they were not free of conflict (Reininghaus 1981, 65 ff.). For instance, in negotiations about wage levels, working hours and holidays, strikes occasionally served as a means for journeymen's associations to defend their positions vis-à-vis the master artisans (Kluge 2007, 216 ff.; Sieg'l 1993, chap. 5). Moreover, and much in line with Kocka's deliberations on medieval class relations, the proto-coordinated character of this institutional setup became visible in at least three characteristics: first, journeymen acted as a group; second, their actions were directed at their counterparts and temporary opponents, the master artisans; and third, they went on strike. These earliest forms of industrial action had usually two goals: first, the right to form associations within the urban guild economy, and second, higher wages. Between the middle of the 14th century and the year 1500, many of such collective actions are documented. Interestingly, they have a clear geographical centre: the highly urbanised, politically decentralised area along the river Rhine (see Reininghaus 1981, 174 ff.).

This may suggest that rising levels of urban product differentiation did, indeed, lead to a situation in which the skills required for new ways of manufacturing became increasingly co-specific: they could only be organised by coordinating the interests of master artisans and their workforce, the journeymen. It is thus possible to argue that underlying skill-dependence explains the strong position that journeymen came to play as economic actors in the medieval economy (Brand 1990, 70). For instance, since master artisans could not easily replace their skilled journeymen, both masters' guilds and political authorities treated journeymen associations with respect, even in the aftermath of strikes (Sieg'l 1993, 157). Much as we would expect following Crouch (1994), thus, conflictive strategies like walkouts were less a sign of hostility in the medieval guild economy. Instead, they should be seen in terms of its growing levels of proto-coordinated organisation (see Kluge 2007, 201 ff. for an overwiev of the respective debate among historians regarding Germany). Another indicator of the general convergence of basic preferences in medieval manufacturing is the fact that journeymen did indeed soon achieve a central goal and were allowed to organise the provision of at least basic welfare and social security measures, such as poor relief and unemployment protection funds as well as accident, sickness and fatality insurance, all in their mutual, contribution-based funds designed for self-help among the two vocational subgroups (Fröhlich 1976). This further hints at shared basic interests between master artisans and their journeymen. The proto-coordinated institutions of the guild economy provided medieval economic actors with means to protect co-specific assets required for incremental product innovation through growingly differentiated manufacture.

The advances towards a more differentiated historical evaluation of the medieval guild economy match remarkably well with the predictions political economists have made for divergence between modern market economies. It can be argued that from the perspective of the rehabilitation thesis, guilds and similar institutions served as a mechanism to protect costly investments into co-specific assets. Therefore, they represented early mechanisms of basic forms of proto-coordination on which local economic actors relied in their manufacturing processes. It is important, however, not to commit a crucial mistake made by the advocates of traditional competition theory: to paint this form of proto-coordinated, incrementally innovating, skill-dependent, high-quality manufacturing as a normatively somehow superior variant of evolving capitalism. This is neither the point made by proponents of the rehabilitation thesis, nor is it the argument I wish to bring forward here. Instead, we must remember the fact that influential guilds were by no means a necessary condition for successful industrialisation, product innovation, rising demand and economic growth. In those European regions where the logic of proto-coordinated manufacturing had never been as strong, or where it was abolished in the early modern period, a very different, though in no way less viable, variety of organising economic life developed early on, as will become clear from the following chapter onwards.

Against this backdrop, the argument underlying the rehabilitation thesis (and also informing this study) is simply that guilds and similar organisations were helpful instruments for the organisation of a specific form of production that depended on the protection of co-specific assets by means of proto-coordination (Lis and Soly 2008, esp. 111 ff.). I therefore do not reject the claim that, for instance, the early-industrial leadership of liberal England might indeed be explained by the relatively early departure from traditional institutions like urban guild restrictions, opening up free space for rapid innovation as in the early modern growth sector of the cotton industries (Landes 1969, 45 ff.; Kellebenz 1974, 48). The central point is rather that very different models of economic production had existed during the Middle Ages, that differences between them gained strength during the economic expansion of the early modern period and that these varieties ultimately led to the 'different private-public mixes' (Manow 2001b, 97, n.1) observed in the institutional setup of national political economies of the late 19th century, persisting well into the present day. These differences later came to separate the evolving coordinated economies at the geographical heart of Western Europe from liberal economies such as Britain, places dominated by statist *dirigisme* like in France and the long prevalence of agricultural serfdom in most of Eastern Europe.

To sum up: This subchapter has discussed the central claims made by historians regarding the emergence and survival of medieval guilds, journeymen associations and miners' brotherhoods. We have seen how the rehabilitation advocates convincingly argue that craftsmen's interest in the preservation of the most basic forms of vocational skills as co-specific assets formed a crucial rationale for organising production processes in effectively proto-coordinated institutions. I will now turn to the second point required on our way towards the analysis of the institutional complementarity between medieval proto-coordination and political decentralisation: an account of the specific power constellations that allowed for master artisans to establish respective institutions in some European regions but not in others. Keeping in mind that early modern economic development of a different sort could very well be achieved in regions with historically smaller degrees of basic proto-coordination, we have to analyse the political and economic power relations behind the proto-coordinated model.

2.2 Politics: The emergence of political decentralisation at the heart of Western Europe

We have so far seen how from work on the rehabilitation thesis, the protection of basic forms of vocational skills as co-specific assets required for the production of manufactured goods emerges as a key rationale behind medieval proto-coordinated institutions such as guilds, journeymen associations and miners' brotherhoods. Since my goal is to highlight the institutional complementarity of political decentralisation and proto-coordination, this section will discuss the meaning of political decentralisation and its history in the Lotharingian Middle Kingdom and the formerly Germanic tribal lands between the Rhine and the Elbe. Of course, this does not entail the drafting of a completely new theory of European state formation. Instead, I am solely interested in the historical interplay between political modes of state formation and different variants of organising the economy. Hence, this section draws upon existing studies by theorists of state formation in order to identify the dualism of centralisation and decentralisation as a major theme of evolving political organisation in Europe.

Geographically, polities with a high degree of decentralisation can traditionally be found at the heart of Western Europe, in the area directly west and east of the river Rhine. West of the river, decentralisation took the shape of what Stein Rokkan famously called the city belt, a geographical chain of trading venues stretching across the continent along long-standing trading routes from the Baltic and Northern Seas in the north, through the Low Countries, Flanders and south-west Germany, all the way to the Mediterranean coast and Central Italy. Individual towns or leagues of cities, not territorial kingdoms or empires, were the holders of political power in this region already during Roman and medieval times (Rokkan 1999). East of the Rhine, as Rokkan's scholar Peter Flora reminds us, decentralisation played an equally important role in the organisation of Germanic tribal life. Cities were initially absent from these traditionally agricultural and comparably undeveloped lands outside the reach of Rome, but social life was organised in tribal communities with no central capital playing the role of Rome. Strong local and regional identities survived and soon became a major factor behind the political disintegration prevailing in the fragmented Holy Roman Empire, including the later Swiss Federation and the Habsburg lands along the Danube (Flora 1999, 80 f.).

Roman city-based decentralisation was strong to the west of the Rhine, while Germanic regional and tribal decentralisation played an important part east of the river. However, why was decentralisation so strong in the areas directly adjacent to that river? Part of the explanation emerging from the work of historians and theorists of state formation is that the Rhine (much like the Mediterranean on the belt's southern rim) served as an ideal trading route connecting the North Sea to the Alps. On the river's west bank, where Roman rule fostered economic development by providing political stability, this led to the foundation of prosperous settlements as preferred places of economic exchange. Examples include trading venues such as Aachen, Antwerp, Cologne, Duisburg, Mainz, Nijmegen, Neuss and Xanten. However, it was not only north-south trade that benefitted the rise of these cities. While the Rhine marked the border between the Roman Empire and the land of the Germanic tribes, it did not resemble an iron curtain. Instead, exchange across the river was frequent. Starting from their cities on the west bank, Roman legions attempted to make inroads into *Germania magna*, mainly along the rivers feeding into the Rhine from the east such as the Lippe, the Ruhr and the Main where they set up military camps. German tribes engaged in economic exchange with the Romans and their cities on the other side of the border, trading, among other goods, wood, furs, amber, honey and slaves for food, jewellery, tools and pottery (Carroll 2001, 127). Archaeological works on Roman camps along the river Lippe in Westphalia, east of the Rhine, are a case in point. One of the most important of these was Haltern (Aßkamp 2011).

Based on the wealth by North-South and Roman-Germanic trade, the cities along the Rhine utilised their strong position to fill the political vacuum that emerged once the Roman Empire began to decline (Dhont 1976). The crucial importance of cities for state formation and the different outcomes of the trade-off between political power and productive means – from the balanced antique *polis* via the power-biased baroque city republic to the productivity-focused industrial centre – is a central theme that already Lewis Mumford (1961) reminds us of. East of the Rhine, meanwhile, a central authority comparable to Rome had never been established, and this remained so also in post-Roman times when the Frankish kings struggled to establish hegemony there (Wickham 2010, 113). In short, decentralisation of political power was greater both on the immediate eastern and western bank of the Rhine once the Roman Empire began to decline.

The western rim of Rokkan's city belt was, for the most part, equal to the later border between France and the Holy Roman Empire, which roughly ran along the rivers Schelde, Maas, Saone and Rhone, or the later (early modern) *Trois-Évêchés* of Metz, Toul and Verdun. On the Mediterranean coast, the belt might have reached as far west as the Languedoc and Catalonia, covering old Roman trading venues such as Barcelona, Marseille and Narbonne. In the relative absence of strong cities west of this border, the Roman tradition of centralised authority remained strong, even after the empire's decline during the Great Migration after 400 AD. Until the eighth century, the Germanic tribes that had moved westwards built their new kingdoms on Roman heritage in many aspects. In Burgundian and Frankish Gaul (modern France) and Visgothic Spain, therefore, political entities continued to exist beyond the end of the Roman period that were relatively well organised on the central level. Off the continent's western shore – in England after the Saxon conquest had broken Roman traditions, and in Ireland, which had never been under formal Roman control – meanwhile, the political unification processes took much longer to complete (well into the ninth century) than on the continent but ultimately, it did occur (Wickham 2010, 150ff.). West of the city belt, therefore, relative centralisation survived the end of the Roman Empire. These early medieval findings seamlessly connect to the difference Samuel Huntington (1968) has observed between the processes of western continental (later absolutist) and British state formation (increasingly based on representative assemblies) – as well their ultimate similarity in their centralised outcome if compared with the decentralised fragmentation characteristic of the political system in the United States.

To the belt's east, Charlemagne managed to cross the Rhine around the year 800, beating the Saxon tribes, and Christianising the area between the Rhine and the Elbe. The result was the political incorporation of the lands of the Germanic tribes into the Frankish kingdom. However, east of the belt, political decentralisation prevailed in the form of relative autonomy of the former Saxon regions. This pattern reflected the difficulties the Roman and Frankish rulers had experienced for more than a millennium when trying to incorporate the Saxon lands. The at least partial survival of institutions such as the *Thing*, a tribal governing assembly, and the implications for effectively proto-coordinated and comparably autonomous city organisation still reverberate in the writings of Max Weber (2010, 951 f.). Moreover, political entities located in the city belt, such as the Electorate of Cologne, played a crucial role in evangelising and integrating the Saxon lands of northwest Germany, such as Westphalia, into the Carolingian Empire. On behalf of Charlemagne, for instance, the missionary Liudger, founder of the monastery in Essen-Werden by the Ruhr in the Electorate of Cologne, worked in northwest Germany and became the first bishop of Westphalian Münster in 805 (on his life see Isenberg and Rommé 2005). These early links would soon rise to crucial importance: decentralisation led to greater levels of local autonomy for the new possessions that cities like Cologne acquired across the Rhine, such as the duchy of Westphalia and the Vest Recklinghausen – a characteristic that was later to leave its mark on early modern governance arrangements in that region (see the following chapters). Even with Charlemagne at the height of power when he was crowned *Imperator Romanorum* by Pope Leo III on Christmas Day 800, therefore, the institutionalised structure held: political authority was more centralised in Western Europe than in the city belt and in the newly incorporated Saxon lands between the Rhine and the Elbe. This pattern also survived the Carolingian period: among the 'successor states' of the tenth century, relative decentralisation survived in East Francia (modern Germany) in the form of assembly politics, and in Italy due to the region's strong city networks, while personalised kingship and strong royal families were characteristic of West Francia (Wickham 2010, 427 ff.).

Meanwhile, the Elbe, the new eastern edge of the Frankish kingdom, was not as permeable a border as the Rhine had been at the old Roman-Germanic divide. The reason was the threat from the Eurasian nomads – the pressures of the Huns had prompted the Great Migration after 400 AD and the subsequent downfall of Rome – prompted Charlemagne to establish military fiefdoms on the scarcely populated Eastern rim of his Empire. Due to their important role for guaranteeing the Empire's security, the margraves (*Markgrafen*), predecessors of the Prussian landed aristocrats (*Juncker*) of later days, possessed special rights and managed to establish tightly centralised rule over their territories (Bartlett 1994, 33 ff.). The logic of military command and simple agricultural production instead of decentralised urban manufacturing defined the political institutions east of the Elbe (Deutinger 2006). This river as a watershed in political organisation emerges as a common place from the work of theorists of state formation, whether neo-conservative writers (Fukuyama 2011) or Marxist analysts (P. Anderson 1979) and, most prominently, to Barrington Moore's inquiry into the *Social Origins of Dictatorship and Democracy* (1969). Further underpinning this east-west division, Max Weber had already drawn a differentiation between the politically autonomous, guild-governed urban commune (*Stadtgemeinde*) of the occident and the limited rights of self-administration in the cities and towns of the orient, including Russia, India, China and Japan (Weber 2010, 934 ff.). Even in the work of Charles Tilly, who criticised Rokkan and Moore for their lack of analysis on the actual social processes behind state formation, the division between east- and west-

Elbian forms of political organisations remained alive, this time in Tilly's own differentiation between regions with coercion- and capital-intensive modes of state formation (C. Tilly 1992). This idea also resonates strongly with more recent conceptual accounts of the effects of different modes of state formation on modern degrees of social inequality (Boix 2010).

In sum, a relatively unchallenged Roman heritage fostered the early centralisation of political power in Western Europe, while the need to defend the newly colonised areas of the Frankish kingdom led to the establishment of tightly ruled military nobilities east of the Elbe. Each in their distinct way, these two roots marked the foundations of two kinds of polities on both ends of the continent, which were of course very different but ultimately shared one characteristic: comparably centralised governance structures. As opposed to this, at the geographical centre of Western Europe, the trading venues of the city belt along the former-Roman-Germanic border and the Germanic-Saxon tribal traditions between the Rhine and the Elbe led to a stable situation of strong urban centres and regional allegiances, the starting point for decentralised polities. The decentralisation among the region's strong commercial centres soon became structural, reflected also in multiple local cultural and linguistic identities, and with cities and regions equipped with the economic means to resist attempts of integration by distant political centres.

The split-up of the Carolingian empire after the death of Charlemagne illustrates this pattern. In the area of Rokkan's city belt, this division led to the establishment of kingdom of Middle Francia, a political construct of extreme disintegration, created in the Treaty of Verdun of 843. After the death of Louis the Pius, his sons, the grandchildren of Charlemagne, divided the empire into three parts. In the middle between West Francia of Charles the Bald – the later France – and East Francia of Louis the German, Lothair I ruled over a political construct doomed to disintegrate even further: a thin strip of land, reaching all the way from the North Sea to Central Italy, encompassing the two Imperial Cities, Aachen and Rome, but divided by the Alps and fragmented by cultural and linguistic diversity. As early as 855, the Treaty of Prüm further divided this kingdom into Italy in the south, Burgundy and Provence in the middle, and Lotharingia in its north. Tellingly, its lack of political, cultural and economic coherence and identity made it impossible to name this construct after anything but its ruler, Lothair II. In the Treaties of Meersen 870 and of Ribemont a decade later, East and West Francia eventually divided the Middle Kingdom among each other (Wickham 2010, 392 ff.).

As reflected by the short existence of Lotharingia, fragmentation prevailed in the region along the Rhine. This continued to attract the attention of the neighbouring predecessors of modern, centralised France in the west and the disintegrated Holy Roman Empire of the German Nation in the east. In more than a millennium of violent struggle, both entities tried to integrate the former Lotharingian lands. The territorial affiliation of the area remained disputed largely because prospering cities and city-states – instead of powerful central state authority – had emerged. In the former Lotharingian lands, the Upper Italian merchant republics, the Lower Rhenish textiles centres, Swiss and French commercial centres developed. Unless in the case of force majeure – as in the case of the Lower Rhenish merchant city of Duisburg, where the Rhine changed its course in the 14th century, leaving the city impoverished (Krause 2003) – many of these cities and city states became economically affluent and politically influential during the Middle Ages (Pitz 1991). In the Holy Roman Empire, for instance, many of them gained the status of Free Imperial City. As opposed to the predominantly personal rule in the rest of the Holy Roman Empire, these urban centres were self-administered by the municipal council and possessed the status of *Reichsunmittelbarkeit*, being subject only to the emperor. When the institution of the Imperial diet was formalised in the 15th and 16th centuries, these cities formed a separate college. It was subdivided into two so-called benches, one for the Swabian and one for the Rhenish cities plus Lübeck in the north (Neuhaus 1997, 34 ff.) – a pattern that, once more, hints at the primary geographical location of these urban centres in the Lotharingian city belt of Germany's west and southwest.

3 INSTITUTIONAL COMPLEMENTARITIES: THE MUTUAL RE-ENFORCEMENT OF DECENTRALISATION AND PROTO-COORDINATION (800-1517)

Following the separate survey of the literatures on the rehabilitation of proto-coordination in medieval guild systems and on the role of decentralisation during pre-modern processes of European state formation, I will now turn to the complementarity of these two institutions. This chapter shows how already in pre-modern times, the presence of influential guilds, journeymen associations, and miners' brotherhoods developed jointly and stood in a mutually re-enforcing relationship with decentralised political authority. Based on my discussion in the previous chapter, I argue that this complementarity emerged initially due to the enabling effect both institutions had on the organisation of collective action, and the resulting welfare gains urban political economies were typically able to realise from efficient human-capital provision – especially in the context of growing product differentiation and mechanisation from around the first half of the 14^{th} century onwards.

The history of the complementarity of decentralisation and proto-coordination developed over at least a millennium, but it has not at all been fully written yet. However, what we know from the literature suffices to at least sketch out the medieval process in which this complementarity came about. This also sets the historical stage for subsequent, early modern challenges to be discussed in the subsequent chapter. The goal is to respond to historians' recent calls to 'relate variations in socio-economic positions to divergent constellations of political power that emerged in the late Middle Ages' (Soly 2008, 48). In this chapter, I therefore argue that we have to see the subsequent development of capitalist variety through the prism of corresponding political divergence, especially regarding degrees of political decentralisation.

The following subsection will sketch out conceptual explanations for the emergence of the institutional complementarity between coordination and decentralisation during the Middle Ages. The subsequent subsections will then highlight respective developments in decentralised Europe along the Rhine – the German lands and the Low Countries, which at this point still formed part of the Holy Roman Empire – opposite processes west of the

Rhine, in early-centralising France, and finally, similarities of both patterns in the rest of Europe. A very brief summary concludes and provides a schematic comparison in a table.

3.1 CONCEPTUALISING COMPLEMENTARITIES

Hints at linkages between coordination and decentralisation have been emerging from the work of historians for a long time. Already in the late 19th century, liberal critics of Bismarck's economic policies turned to the history of Germanic tribal life specifically to explain why forms of collective decision-making played a stronger, and individual property rights a weaker role in Germany than in other places. From this perspective, effectively decentralised Germanic inheritance traditions such as the community of joint owners (*Ganerbschaft*) led to the emergence of de-facto community-owned land, which was administered jointly within a given tribe (De Laveleye 1874). For Bismarck's liberal critics, the existence of tribal organisation (i.e. decentralisation rather than a strong central authority) and the lack of strong individual property rights (i.e. coordination over land usage within these individual tribes) appear as two sides of the same coin. However, liberals such as de Laveleye were not the only ones to hold such views. For Friedrich Engels, the barbaric German tribes took a middle position in the evolutionary process from wild to civilised societies (Engels 1990[1884]). What is interesting here is that, once more, the necessarily coordinated use that common property gave rise to in wild and barbaric societies were only possible under, and therefore also disappeared with the political decentralisation of tribal society. Work on the traditional tribal assembly *Thing* – especially in the western Germanic areas – points to a mixture of basic coordinated, consensual decision-making processes within the boundaries of the small unit of the tribe, rather than an overarching state administration (Demandt 1980).[2]

The interaction between such tribal decentralisation and basic patterns of coordination in the Germanic and later Saxon lands might have been further aided by the potentially dense population of *Germania magna*. Against the views of a historiography still mostly informed by Roman perceptions of the utter backwardness of distant Germanic territories, some scholars hold that the Roman and later Frankish impetus to conquer these areas was both motivated and aggravated by the, in fact, relatively dense population of these

[2] Behind the relative scarcity of literature on the Germanic *Thing* might be a continued unpopularity of the topic after the National Socialists' infamous attempts to re-establish it as a Germanic alternative to Western representative democracy (on this aspect see Stommer 1985).

agricultural settlements. When these villages achieved their maximum size, which lay at about 25 farms, the tribes set up integrated multiple-farm units where one plot of land was shared by four and more farms under intensified use of the common land (Steuer 2007). The interplay between decentralisation and basic forms of coordination might have been at work already in times of tribal agriculture in the Germanic and Saxon lands.

However, it remains dubious whether these explanations focused on the Germanic lack of property rights really capture the origins of the decentralisation-coordination nexus. After all, the establishment of property rights and the 'caging of the peasantry' were processes that can be witnessed all across Europe around the end of the fist millennium (Wickham 2010, 529 ff.), regardless whether these areas later turned non-coordinated or saw the emergence of coordinated market economies. Instead, it seems that respective writings stand in the rather problematic tradition of ultimately equating non-liberal economies with under-development and backwardness, as discussed in the previous chapter.

For economists, meanwhile, the limited market size in small economies – effectively Peter Katzenstein's *Small States* (1985) – plays a central role. Drawing on research by Paul Krugman, Soskice and Iversen have pointed to the close nexus between medieval guild structures and early export dependence. Krugman's model shows that export-oriented and import-open trading-regimes are more likely to emerge 'in differentiated manufactures than in homogeneous primary products' (Krugman 1982, 198). As Soskice and Iversen argue, the correlation identified by Krugman mainly occurs for two reasons. Firstly the domestic market is too small for highly differentiated products. Secondly the fixed costs of the specific skills and technologies required for manufacturing them push producers towards economies of scale or at least of scope (Soskice and Iversen 2010, 4 f.). In a nutshell, based on the efficient provision of human capital, medieval cities became the centre of advanced manufacturing, but their products could not be absorbed in their small home markets. The way out were exports – a reasoning that is in line with the view of economic historians who have concluded that,

> [s]cale expansion was at any rate a sine qua non for master artisans to engage in supralocal commercial activities, which in turn considerably broadened their opportunities to accumulate capital (Soly 2008, 47).

The bottom line in this scenario is the suggestion that historically, rising product specialisation, growing export-dependency, and efficient human-capital provision in proto-coordinated institutions all fell together in medieval urban economies. In search of a way to measure historical import-export ratios, Börner and Severgnini (2011) utilise the relatively good knowledge we have of the spread of the Black Death pandemic in mid-14th century Europe to determine the medieval flows of economic exchange between major trading centres of that time (as travelling merchants carried the disease with them on their journeys). Results suggest that economic outflow was indeed higher in Europe's decentralised core than in the continent's south and southeast. The regions with the highest predicted medieval net export ratios were – albeit not exclusively limited to – at least largely congruent with the areas of political decentralisation in the Rokkanian city belt and in the Holy Roman Empire: the Low Countries, Belgium, Switzerland, small parts of Upper Italy, Austria, Bohemia and, following the River Danube further east. Hence, Europe's urban heartland dominated by many cities, which were indeed almost exclusively ruled by the guilds, seems to have been home to early exporting economies.

From this reasoning of institutional economists it is only a small step to conceptualising the link between decentralisation and coordination along the lines of a modern "pressure scenario": awash with highly skilled human capital, but caught in their limited markets, medieval artisans turn to exports; this, in turn, increases the pressure to ensure competitiveness, which, as we have seen in the previous chapter, can best be achieved by means of coordination with the pre-modern "workforce", i.e. journeymen. This pattern leads to a self-reinforcing circle in favour of proto-coordinated institutions. I do not want to rule out the presence of respective dynamics, but neither does the existing literature make this explicit claim, nor would this argument capture the essentially political dimension of the link. This, however, would be desirable given that decentralisation is a phenomenon that pertains to the design of political institutions. This thesis therefore conceptualises the link between decentralisation and coordination along the lines of what could be called an "enabling scenario", based on institutional complementarities. According to this concept, introduced to the study of comparative capitalism by Hall and Soskice (2001), the presence or efficiency of one institution raises the returns available from another, as is the case between modern stakeholder financing and longer-term employment (Aoki 1994). In this classic example, coordinated patterns of financing and employment owe their institutional complementarity to their convergence around a longer-term time horizon shared among financiers, companies, and ultimately the workforce.

As will become clear below, a close survey of the historiography reveals that a comparable institutional complementarity must have been at work historically also between decentralisation and coordination. Based on this, I suggest that political decentralisation and proto-coordination that took the shape of subsidiarity owe their institutional complementarity to their joint enabling effect on local collective action (see chapter one). The idea is that a key return derived from decentralisation is the limitation in size of the polity, thereby facilitating collective action on the local level due to lowered costs of – and increased individual returns from – cooperation (see Olson 1965). As long as this did not merely mean strictly rights-based federalism the result was subsidiarity. In these places, decentralisation helped to shape homogenously skill-dependent production regimes where master-artisanal consensus in favour of coordinating with other actors such as the journeymen was historically easier to achieve than in larger entities uniting divergent degrees of interest regarding basic forms of proto-coordination. In this sense, the organisation of politics and the economy in small, local units was a necessary precondition for medieval coalitions to emerge and persist, carrying coordinated arrangements.

Against this backdrop, and in line with the assumptions of comparative historical analysis, actual historical sequencing matters, as it crucially frames the distribution of political preferences: any late-medieval and early-modern territorial ruler interested in the centralisation of political power had to take the guilds heads on – not due to their efficient provision of human capital as such, but simply because given the institutional complementarities at work under subsidiarity, proto-coordinated institutions had become the real holders of medieval urban power, and therefore political adversaries of central authorities. In this sense, it is crucial to highlight – as will be done in the following – that the push for political centralisation occurred historically after the 14th century product differentiation and mechanisation, the resulting, growing dependence of the cities on efficient human capital formation in proto-coordinated institutions, and the guilds' subsequent accumulation of ever-more political power.

The argument of this thesis contrasts with the views of both 19th-century Marxists and liberals who focused their analysis on the central-state imposition of strong property rights, which they either desired or opposed. Instead, it rests on recent work by historians who stress that the emergence of basic patterns of proto-coordination during the Middle Ages cannot be explained within this problematic state-versus-the-market framework because 'what we witness in the twelfth and thirteenth centuries is the formation of *collectives or alliances based on some mutual agreement* which was not primarily kinship, but existed between lords and villagers and among villagers themselves' (De Moor 2008, 186; italics: CN). Collective action under subsidiarity, the local construction of consensus, seems to have been crucial indeed. Any competition between guilds and local rulers for local political supremacy hence seems to have taken the form of somehow weaker, managed conflicts – an early version of the modern situation described by Colin Crouch, where the consensus about 'general political exchange' does not mean the fundamental absence of conflict, but rather the presence of a system that helps actors dealing with these conflicts in a constructive manner (Crouch 1994, 53). In a nutshell, the view taken in this thesis is that underlying the institutional complementarity of decentralisation and coordination was not some structural weakness of property rights hindering economic development, but instead its enabling effect on collective action and ultimately the ability to maximise welfare.

As a result of these institutional complementarities, in decentralised political environments such as the city belt along the Rhine, proto-coordinated institutions tended to dominate the resulting small polities. The opposite was true of overall less urbanised and early centralised polities such France, England, and most areas east of the Elbe. The following sections will now turn to the way in which these institutional complementarities played out historically in these two large areas.

3.2 Along the Rhine: The guilds and medieval communalism

The work of historians provides us with a good understanding of the actual historical processes in which the growingly powerful guilds gained influence over local political authorities. The guild struggles (*Zunftkämpfe*), which dominated the Holy Roman Empire of the 14th and 15th centuries, are especially important in this context. In these conflicts, the craftsmen and merchants benefitting from the economic upswing of the Middle Ages rivalled the existing, mostly patrician elites for urban political representation and power. For the period between 1301 and 1550, historians have counted about 210 urban conflicts of this kind (Maschke 1974, 20 ff.).

Initially, a merchant-patrician oligarchy had risen to urban power by claiming independence vis-à-vis aristocratic and episcopal desires for political and economic control. Aristocrats and clerics had often attempted to inflict new tolls on the cities during the High Middle Ages. In response, the merchants had formed powerful city leagues such as the Hanseatic, Rhenish, and Swabian Leagues. This had, on the one hand, enabled the cities to defend and manage central political and economic aspects such as security, toll regimes, and arbitration. On the other hand, however, this had also triggered an effective re-feudalisation and centralisation of urban political and economic control in the hands of few merchant families managing a city's relations with the all-important leagues. These families quickly began to isolate themselves from the rest of the urban population and established a quasi-aristocratic, merchant-patrician rule excluding other urban actors, most notably the artisanate. When the product differentiation, new manufacturing techniques and general economic upswing of the 14th century strengthened the economic clout of the craftsmen, these began to organise in guilds and, soon after that, self-consciously also began to challenge the patrician grip on city politics – this motivated the late medieval guild struggles (Czok 1966; 1969). Cases of individual patrician fraud and the general feeling among cooperative actors that the central city government infringed their decentralised autonomy over trade and commerce regulations usually served as a trigger for conflict (Ehbrecht 1976, 87).

The prospect of the artisan push for self-administration undermining the principles of state and church authority began to worry patricians, princes and the clergy during the Middle Ages. Consequently, these actors struck back by beginning to blame independent guild jurisdiction for its lack of transparency and frequent abuse. As early as in 1232, for instance, the archbishop of Cologne had turned to Emperor Frederick II, complaining about the independent-minded artisans in his city and their habit of circumventing episcopal courts by deciding issues of master-journeymen relations under their own jurisdiction. In the same year, local guild prohibitions were extended to the entire Holy Roman Empire. In 1279, craft guilds were prohibited in Würzburg after citizens had complained about the extension of guild jurisdiction affecting the affairs of the city. In Nuremberg, a patrician city council was re-established in 1348, terminating craft rule over municipal politics and, instead, reintroducing strict controls of the craft associations. In Frankfurt am Main, regulations introduced in 1377 held that any convention of artisans had to be authorised by municipal administrators. From now on, public servants took part in every guild meeting, and their agreement was required for formal decisions to be adopted. Another strategy chosen by the authorities was to enact regulations requiring the guilds to change their internal procedures. Since princes and authorities were especially wary of the guilds' consensual principles – which stood in sharp contradiction to their project of personal rule – they often made the guilds replace their consensual courts with special committees consisting of smaller numbers of representatives instead of the entirety of local master artisans. Respective rules were introduced, for instance, in Constance in 1342 and in Saxon cities during the 15th century. In Leipzig, single master artisans were made ‘vote leaders’ (*Stimmführer*) in 1598 in order to weaken the consensus principle (Brand 2002, 57 ff.). These examples suggest that imperial authorities, territorial rulers, the clergy and urban patricians often joined forces to fight the self-administration of the rising craftsmen.

Despite these clashes, however, the degree of underlying consensus between local actors should not be underestimated. Instead, the impression that emerges from the literature is that limits existed to how far local authorities could go in suppressing the guilds without undermining welfare generation and their own power-position vis-à-vis higher political levels. The struggle for dominance over local economies has to be considered against the backdrop of local authorities finding themselves sandwiched between craftsmen’s demands for representation on the local level and territorial as well as imperial attempts of utilising these local conflicts to centralise political power. It is therefore highly telling that the guild struggles did not at all yield a clear-cut outcome, on the contrary. Power-political results varied, from unchanged patrician dominance in local city councils to real parity, as well as outright guild dominance (Blickle 2010, 55; Isenmann 2012, 190 ff.).

Moreover, within the guild system, power often remained contested between merchant and craft guilds – a conflict in which territorial and imperial authorities also tried to intervene (Soly 2008). Broadly speaking, in trading cities like Hanseatic Lübeck, as well as in Regensburg and in Nuremberg, but also in Frankfurt am Main, patricians seem to have remained in control of the local political economy, while in the craft cities (*Gewerbestädte*) in the German west and southwest, craft guilds like Cologne’s *Gaffeln* were more likely to achieve strong representation in the city council (Naujoks 1985, 1–7). Evidence is available from multiple cities, and at various levels of granularity and detail. In 1334, for instance, Emperor Louis the Bavarian failed to introduce a patrician municipal code in Westphalian Dortmund. The urban burghers organised in Dortmund’s patrician guild, the *Reinoldigilde*, had called on Louis to remodel the city’s municipal code after the Lübeck code favouring the patricians. However, his intervention fuelled the anger of the craft guilds in 1340. The craftsmen eventually managed to achieve representation in the city council and to break patrician power. Under Louis’ successor Charles IV, a compromise was reached in 1349, granting council representation to both patricians and artisans. Hence, from 1383 at the latest, six representatives of the craft guilds (*Gildeerbsassen)* and six patrician members of the council were entitled to elect new council members (Lentze 1964, 13–14, 155–159).

Meanwhile, in 15th century Constance, Emperor Maximilian I had initially felt the need to support the urban fishers' craft guild to counterbalance local merchants' desire to align the city with the Swiss Confederation. After the patrician city council had been overthrown in 1408, however, the emperor had to reinstate it after local complaints had mounted in 1414. The corporate element in patrician groups was ultimately not much weaker than that of the artisan craft guilds they rivalled for political power (Naujoks 1985, 1–7). Similarly, a comparison of the political influence and organisational autonomy that different types of guilds possessed in cities dominated by merchants (Nuremberg, Frankfurt am Main) and artisans (Cologne, Strasbourg) suggests that the seemingly sharp divisions between political economies dominated either by one group or the other may have to be put into perspective in light of the general levels of representation that the respective "other" group could achieve (Schmidt 2009, 107 ff.). What is most striking about this evidence, then, is the resulting impression that while the distribution of power varied, what most medieval cities in the Holy Roman Empire seem to have had in common was the fact that instead of banning defeated groups entirely from participation in municipal politics, basic levels of inclusion seem to have been the dominant strategy of choice.

The literature does indeed strongly suggest that an underlying interest in basic forms of organised exchange between merchants, craftsmen, patricians, aristocratic, and episcopal actors must have existed in medieval cities of the Holy Roman Empire. For instance, historians have highlighted that in the guild struggles, the guilds pushed for representation and political influence, and therefore for inclusion, rather than the complete overthrow of the existing political order and its non-guilded elites (Czok 1969, 49). At the same time, non-guilded actors seem to have possessed a basic interest in preserving the specific and decentralised regulation of economic production as the precondition for state revenues, despite the power struggles this generated in the cities. As Robert Bartlett neatly sums up this situation: 'Princes wanted towns, because they were profitable, but they also harboured fears of them, because they might be unmanageable' (Bartlett 1994, 176).

The fact that the interest in proto-coordinated regulation was shared by local political authorities and economic actors is best reflected in Peter Blickle's paradigm of medieval 'communalism', a pattern of organising society all across what he calls central Europe. In his view, the intensification and rising complexity of agriculture as well as the need to coordinate the use of growingly scarce land resources around 1300 led lords to delegate issues of social organisation to local, largely consensual bodies of peasant self-organisation – the birth of the commune (*Gemeinde*), a model of political organisation that was strong especially in German-speaking Europe (Blickle 1997, esp. ch. 2). And as Otto Gerhard Oexle seconds, this form of bottom-up social organisation based on oath, contract and mutual assistance could be found in the rural villages of northern France, Flanders, western Germany, the Alps and Upper Italy already around the year 1000 AD, when these places found themselves in 'disorganised' environments lacking centralised provision of justice and security (Oexle 1996). Rural forms of basic proto-coordination under decentralisation therefore even seem to have predated the urban guild economy, which highlights that this way of organising social relations even developed where local actors did not posses the coercive means of, for instance, a High Medieval Free Imperial City to push for rights of self-administrations against the resistance of a territorial lord. Instead, basic mutual agreement seems to have been in place, a typical situation under subsidiarity.

This medieval complementarity, as well its resiliency, was to become even more pronounced during the early modern period, which I will discuss in the following chapter. However, already in the Middle Ages, this did become visible, especially in those cases where local actors had to defend themselves against first attempts of interference from centralised political entities. One of the most important examples of this pattern is the Flemish fight for independence from French rule. In the Battle of the Spurs fought around Kortrijk in 1302, the Flemish nobility joined forces with local guild militias and managed to defeat the French. This event marked the beginning of the guilds' tight rule over Flemish city government (De Moor 2008, 191) but – more importantly from the perspective of this thesis – it also highlights the point that local nobility chose to coordinate with the guilds in order to defend their own political independence. The choice to side with the guilds highlights that the Flemish nobility may indeed have had a rather strong sense of historians' later claim that,

> [t]he remarkable resilience of the urban export trades in the southern Netherlands, especially in Flanders and Brabant between the thirteenth century and the end of the ancien regime, was attributable to several factors, of course, but urban corporatism was an integral part of this success story (Soly 2008, 56).

Another interesting example of these locally coordinated coalitions is provided by the events surrounding the Battle of Worringen of 1288 in which the city of Cologne secured the status of Free Imperial City. In the battle, Cologne's burghers successfully joined forces with their archbishop's outside rival, the duke of Brabant. Tellingly, the city-friendly policies of this ruler from the heart of the urban belt made him an appealing ally (E. Ennen 1976, 40 ff.). With the episcopal say over the city weakened by the coalition of the duke of Brabant and local burghers, the introduction of a new municipal code a century later, the *Verbundbrief* of 1396, provided members of the Cologne guilds (*Gaffeln*) with a tight grip over the city council, the mayors and the entire urban political economy (for a detailed discussion see Herborn 1980). In coalition with like-minded political rulers, institutions like Cologne's powerful bedspread weavers' guild quickly grew from what had originally been a voluntary association to a compulsory, powerful institution of municipal industrial policy, self-administered by influential master artisans (Brand 1990, 34).

These developments in the urban political economy did not only affect the city itself, but also extended to and corresponded with events in its surrounding territorial possessions, which were growing substantially during the early Middle Ages. Already in 1142, the businesses of Rees in the Lower Rhine had achieved a guarantee from archbishop Arnold of Cologne regarding their exemption from customs duty in trades with neighbouring cities like Wesel, Xanten, Emmerich and Elten (Irsigler 1987, 44). After Worringen at the latest, the bishops of Cologne had to make further concessions also in the surrounding territory. For instance, Düsseldorf was granted city rights, and the duchy of Berg was allowed to reinstate its own money coinage (Lück 1988). This suggests that even in comparably rural places that remained deprived of Cologne's Free City status, coalitions of political authorities (often located in the regional urban centre) and local economic actors emerged in the context of strong local rights of political self-administration.

3.3 West of the Rhine: Political and economic centralisation in France

The perspective on developments in the German lands has highlighted the historical foundations of the complementarity between basic forms of economic proto-coordination and political decentralisation. However, recent work by historians also points us to the existence of a converse link between political centralisation and a relative weakness of medieval proto-coordination in places outside the city belt. France is the main example of this.

Hugo Soly, for instance, blames the 'strong monarchies' (Soly 2008, 65 ff.) in France, but also in places such as England and Castile, for the weakness of local (craft) guilds. Where the guilds lacked influence, consequently, managed forms of conflict between these institutions and political authorities were weak: the medieval guild struggles were a phenomenon that the early centralised political economies of France, but also Britain, did hardly ever encounter (Prak 1994, 22). This pattern is not free of a certain irony when considered against the backdrop of traditional, problematic equations of coordination with consensus and harmony. Because of the much more clear-cut distribution of political and economic powers between territorial governments and the local level in centralised polities, conflict was in fact less frequent in centralised, non-coordinated regions. When it did occur from time to time, however, it quickly took the shape of more fundamental confrontations that were therefore less complex than in decentralised regions. France is a prime example of these developments, but the following subsection will highlight that similar patterns can also be observed in other early centralising places.

The French central state and cities began to clash at the latest after the Wars of the Religion, with the crown annulling urban privileges and imposing large-scale financial transfers to Paris. In the late 16th century, the French state fought the guilds, aiming to impose nation-wide regulative standards on them, as has, for instance, been demonstrated for the cases of the cities of Nantes and Angers (Prak 2006, 11 f.). In consequence, as Antony Black put it, the French state used the guilds as 'instruments of state economic policy' (Black 1984, 234), a model very different from the Rhenish approach in which these institutions largely seem to have administered their own local political economies and thereby limited the emergence of central political authorities. As opposed to this, in regions over which Paris sought to increase its control, such as southern France, the organisation of local and regional trade and economic activity seems to have been a central means for the political centre. Eager to limit the influence of Genoese merchants in that region, for instance, the French crown in 1278 introduced the requirement that Italian merchant traders reside in Nimes and trade through the nearby city of Aigues-Mortes (Reyerson 1994). In other words, the centre structuring and utilising economic activity, and especially trade relations, for the purpose of widening its political scope seems to have been a much more common modus operandi in France than in decentralised Europe.

The link between the ability of centralised political authorities to reign into the local economy and the resulting weakness of medieval forms of basic proto-coordination is evident from the work presented in these studies:

> In France, as well as in England, the guilds´ political fragility was not so much a result of their position in local politics, which could be remarkably strong, but due to the overall weakness of urban autonomy vis-à-vis the Crown (Prak 2006, 12).

The consequences for the organisation of local economic life were significant, and they set France and the politically centralised world apart from the situation in the larger Rhineland. As already indicated above, Steven Epstein sums up the reply to the loss of wage labour incurred by the Black Death pandemic in the territorially centralised context of France, as well as in England, and Castile-Aragon. This reveals that the event that had been a crucial moment for expanding the say of local economic actors in small-scale, decentralised places such as Cologne (see above) yielded very different outcomes for local economic governance in early-centralised political economies:

> But again, that no king or assembly chose to involve the guilds or métiers in the effort to control wages and prices is significant. Monarchies had officials to do this job for them, and the problem was more widespread than the scope of any guild. The masters found themselves with some authority to deny excessive wage increases in Paris and any at all in England, but their own prices were under the same watchful eye. … The issues of the price and supply had become too serious to leave them to the employers. Whatever the private jurisdictional rights of the Parisian métiers and the English guilds had been before the plague, they were now diminished. The Spanish guilds also had no part in enforcing the laws in Castile and Aragon (S. A. Epstein 1991, 241).

3.4 A European comparison: The economic implications of political power

3.4.1 Closer to the core: Upper Italy

Widening the scope for a European comparative perspective, another take on the close interconnection between modes of political organisation and the earliest forms of local proto-coordination is provided by the case of medieval Northern and Central Italy. Cities in regions such as Lombardy achieved factual independence from German Emperor Frederick Barbarossa already in the Battle of Legnano of 1176 (Raccagni 2010). At the same time, ever since the Investiture Conflict at the onset of the 12th century, the Pope served as a focal point for resistance and as an alternative regional political authority. Italian patricians, gentry and guilds famously split into pro-imperial Ghibellines and pro-papal Guelfs during the Middle Ages, with the allegations of city-states often switching during centuries of inter- and inner-city fights for supremacy. While the Ghibellines were eager to defend North and Central Italian city independence against the reach of the German emperor, the Guelfs were concerned about the consequences of this independence movement: the rise of territorial states out of the most successful Guelf cities such as Florence, which threatened the independence of its Tuscan neighbours such as Siena, which consequently turned Ghibelline (see esp. the map in Waley 1969, 213 for a good reflection of this geographical pattern).

While the outcome of this pattern was a medieval balance of powers in Italy north of Rome during the age of the Medici, this only partly reflects decentralised developments north of the Alps. Instead, compared to the cities of Flanders and the Rhineland, the almost colonising aspect of Upper Italian local politics of that period provides for striking differences.

The most successful city states such as Florence, Milan and Genoa soon started to form territorial and more integrated political entities, which growingly came to dominate the territorial surroundings belonging to them (for instance with regard to fiscal policy). This does not mean that guilds were absent from urban politics. The opposite is true, considering the famously powerful grip that the guilds held over the political economies of the Italian city-states up until the end of the 14th century. Their consensus mode of government, dominated by merchant patricians, began to replace the republican model of urban politics afterwards (for the exemplary case of Florence see Najemy 1982).[3]

However, given the tendency towards regional integration on the southern rim of the decentralised belt, the degree of proto-coordination that the guild systems of Upper Italy provided seems to have been less encompassing than what we know about places such as Cologne (see for instance Labordá Peman 2015). The infamous Florentine Ciompi Revolt of 1378 reflects the attempt of journeymen and textile workers to gain the right to organise independently from merchants. At the same time, however, the revolt's failure also highlights the ultimately limited achievements regarding such patterns of proto-coordination between the owners of capital on the one hand and the providers of manual skills on the other. On the contrary, around the turn of the 15th century, the unfettered rule of the *Popolo grasso* appears to have been the outcome. Tellingly, historians have noted that a success of the Ciompi would have required a fundamental shift in the political constitution of the Florentine Republic; at the same time, its failure has at least partly been linked to the difficulties that urban manual labourers experienced given the need to coordinate their own stance with the rural population within the politically largely integrated construct that was the Florentine city republic (for a compelling historical overview of the Upper Italian city republics, combined with a lucid analysis of its reflection in Machiavellian political philosophy, see Münkler 2007, esp. 129 ff.). In short, guilds were present in medieval Upper Italy, and while it can be argued that the associated dominance of urban politics prevented large-scale integration across (northern) Italy, the resulting economic order nevertheless seems to have stopped short of advancing towards levels of proto-coordination between artisans and capital witnessed in the Flemish-Rhenish decentralised core around the same time. The trend towards territorialisation within the various regional entities of that time seems to have played a central role in this context.

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[3] Interestingly, Najemy argues that in the inner-Florentine battle between corporatist guilds and consensus-advocating patricians, the question of electoral reform played a central role.

In at least two ways, the comparison with organising politics and the economy in medieval Upper Italy is interesting for the purpose of understanding developments along the Rhine. One aspect is the conflict between Ghibellines and Guelfs, which – despite its highly ideological underpinnings – generally seems to have contained (if not entirely followed) a dynamic of regional power balance, with surrounding smaller cities often choosing sides in order to counter the orientation of a regional centre, and vice-versa. This already gives us an idea of the logic that seems to have been at play centuries later when German cities and regions chose sides in the battles of the religious wars following reformation. The other aspect is the dichotomy of integration and decentralisation. Because the growing regional reach of the Upper Italian cities and their metamorphosis into territorial states did not immediately yield outright centralisation of power, medieval Italy and places such as Cologne initially seem to have shared basic characteristics in political and economic organisation during that period. Developmental paths began to differ more strongly during the early modern period, however, when the Flemish-Rhenish core of the decentralised area witnessed the formation of the first bodies of local and regional self-administration and representation in territorial states like the archbishopric of Cologne, while political centralisation seems eventually have to gained pace in Upper Italy, partly due to the influence of foreign centralisers, most notably, France.

These patterns will become clearer in the discussion of early modern events in the following chapter. For now, they remind us that on the southern rim of the city belt, decentralisation and the interrelated early patterns of coordination seem, over the medium term, to have been weaker than in the Rhenish core. Political economies in Upper Italy were definitely more merchant-dominated (Soly 2008, 48 ff.), even if it seems at least doubtful from the perspective of this thesis whether this aspect was really the crucial factor determining the later development of coordinated and non-coordinated political economies. After all, decentralisation and the role of manufacturing were still much stronger in Upper Italy than elsewhere in Europe. Conversely, political decentralisation there has been described as a precondition for merchant guilds' rise to influence: they became the key to economic prosperity and therefore, political power, as they helped, for instance, to lower transaction costs in their local economies (Greif 2006, see ch. 8 for the example of Genoa). A weaker, though nevertheless existent link between decentralisation and basic forms of local proto-coordination seems to have been at work at the rims of the city belt.

3.4.2 On the south-western edge: Catalonia

While merchant guilds seem to have played a central role in the economic governance of Catalonia and the region's centre, Barcelona, there is also evidence that the closer we get to the geographical edges of the decentralised zone, the principle of local self-administration is coming under increasing pressure from alternative models of organising politics and the economy, namely, greater centralisation. Barcelona is a prime example of this pattern given the in infamous rivalry between the Castilian state centred on Madrid on the one hand and the centuries-old drive for Catalan self-determination on the other, which has continued to this date and is experiencing a new push recently. As opposed to the situation closer to the Rhine, where decentralisation was actually achieved in political constructs such as Lotharingia, the Holy Roman Empire, various city leagues, and later the Swiss Confederation, the prolonged history of the Catalan struggle for self-determination in itself already highlights that the south-western rim of the decentralised area has, in fact, experienced repeated periods of subordination under distant political centres. Distance to the Rhine at the decentralised core of the continent seems to have mattered, indeed, and did complicate the rise of Barcelona to the status of merchant centre. Within the kingdom of Aragon during the first half of the 13th century, for instance, 'Montpellier provided access to the lively courts and busy towns of southern France, and ultimately to the road toward Champagne; Barcelona, by contrast, was more isolated, lacking the urbanized hinterland of Montpellier' (Abulafia 1985, 209 f.). The city occupied a location on the margins of the city belt rather than at its centre.

To be clear, a geographical location closer to what Chris Wickham (2010) has called 'Outer Europe' did not somehow automatically prevent the presence of guilds. Mapping the relations between Barcelona and Sicily from the early 13th century onwards, Abulafia points to the actual mechanism at work:

> There is little reason to doubt that a Barcelona patriciate of mill-owners, rentiers, and shippers emerged during the twelfth century, but its political role was more restricted than that of the Italian patriciates, which often secured considerable autonomy … Nor is there anything in northern Italy to compare with the active interest and involvement of the Aragonese crown in commercial enterprises and in the establishment of overseas consulates. To what extent the crown planned its overseas conquests in the light of commercial considerations remains debatable; this is partly because the political factors in Catalan expansion can be perceived more clearly than the economic (Abulafia 1985, 214).

What emerges from sources like this is a picture in which the location on the rim of the city belt led to a situation that was more beneficial to – as it simply required – greater political centralisation. Regarding the fishermen's guilds in the cities along the Spanish coast, historians have long noted that the need to defend the fragile political constructs against threats from Arabic caliphates to attacks from pirates was a main motivation for regional rulers to organise local life in guilds (Moreda Oroza 1966). This does not immediately render these institutions principally non-proto-coordinated, but it should be noted that the underlying dynamics tended to be inverse: guilds seem to have been created less to defend local rights against central rulers; it rather seems they were often established by central political authorities in order to streamline the organisation of political and economic life. For the context of the argument underlying this thesis, this differentiation is, of course, a key point to keep in mind.

The outcome of this structural pattern was that even when Barcelona gradually began to develop from a pure trading venue into a place hosting considerable textile production, local proto-coordinated bodies seem to have existed, but their authority appears to have been limited if compared to the powers guilds and even journeymen associations exerted closer to the Rhenish core of the decentralised belt. Instead, mid-14th century attempts to control the problem of rising wages after the Black Death pandemic seem to have been mainly state-led efforts. In 1349, Pedro IV of Aragon set up commissions tasked with determining the just wage for workers in Barcelona and wider Catalonia. However, if the verdict of these authorities turned out to be against wage increases, workers had to accept this verdict or risk corporal punishment. 'Workers were prohibited from forming associations for the purpose of extorting higher salaries from employers' (S. A. Epstein 1991, 240). Traces of proto-coordination were present, but they were far weaker than at the geographical core of the continent.

3.4.3 North and East: Austria, Prussia, Scandinavia

To different degrees and in varying forms, comparable reservations appear to be in order when assessing the organisation of local political economies at the other ends of the decentralised zone. During the early modern age, the link between beginning state formation and merchant dominance seems to have somewhat mitigated craft guild power in the Dutch Republic, although never to the extent experienced in Europe's early centralising states. In Austria, towards the continent's Eastern end, guilds became more common only in the 17th and 18th centuries; in centralised Prussia, this occurred not much earlier, in the 16th and 17th centuries. However, in Austria, craftsmen – not the state – seem to have played the key role in taking the initiative for the guilds' foundation (Ehmer 2002).

East of the Elbe, Silesia, Lusatia and Bohemia appear as exceptions regarding the existence of relative (merchant) guild influence in a region otherwise dominated by large estates, manorial agriculture and serfdom (Boldorf 2009, esp. 190 ff.).

In the very north, the guilds of Scandinavia are an interesting case, as they seem to have developed a rather influential position in their local political economies, despite the fact that this occurred in the context of politically centralised organisations. However, although this seems to go against the idea of the mutually re-enforcing link of political decentralisation and economic proto-coordination at first sight, the crucial factor to keep in mind in this case is the close link that many of these institutions maintained historically and organisationally with local church parishes (Anz 1998). During the early modern, post-reformation period, this setup provided the organisation of the urban and rural economies in Scandinavia with an effectively rather decentralised twist, with local church organisations instead of centralised state authority traditionally playing a central role for the self-administration of proto-coordinated institutions such as basic welfare provision.

Even in these various nuances and shades that occur in the picture when comparing places of weaker decentralisation to what emerges as the city belt's Rhenish-Flemish core, the link between this form of political organisation and basic forms of economic proto-coordination emerges as a shared characteristic. This suggests that in decentralised places, despite regular conflict over the actual distribution of power, economic actors and political authorities on the local level shared a basic interest in the proto-coordinated regulation of their political economies. Since political decentralisation increased the powers of these local actors and their institutions vis-à-vis distant central authorities, this explains the mutually re-enforcing complementarity between decentralisation and basic forms of proto-coordination.

3.4.4 Similar to France, yet different: England

However, the very brief mention of cases such as Prussia and the rest of Eastern Europe already hint at the fact that the literature also provides us with evidence of a logic converse to the one identified in proto-coordinated regions – as the brief comparison with France above has already highlighted. In England, for instance, local economic producers were less specifically regulated during the Middle Ages, and centralised government enforced contractual laws guaranteeing relative economic freedom. Micro-level studies show that the London livery companies, for instance, did provide some poor relief in Tudor England – a function that should not be brushed aside given the social tensions in this fast growing city. However, this provision of limited welfare services during the 16th century occurred during what has been described as the 'golden age' of the London guilds. After that point, the constant population influx and the resulting urban growth quickly led to a situation in which more and more of London's inhabitants seems to have lived outside the guilds' reach (Rappaport 1989, 200 f., 213 f.). According to Heather Swanson, English guilds 'were not intended to reveal the economic structure of the town, but rather to reflect the order that the authorities wished to see imposed on society' (Swanson 1988, 29). A noteworthy connection seems to have existed between this political weakness of the guilds and the stronger centralisation of political authority. Writing about the English Peasants' Revolt of 1381, and the interplay of rural and urban protest movements across Europe, Steven Epstein speaks to this latter point when he notes,

> that English guilds are absent from accounts of the revolt is not surprising. Even as tools of repression, the guilds were a poor means when compared to the other instruments at the royal government's disposal (S. A. Epstein 1991, 255).

The close eye the English crown traditionally kept on urban politics, and its successful attempts to undermine the self-determination of urban authorities were central in this context. This centralist tendencies can be traced back as far as to the early days of medieval English politics after the year 1000 AD (Keene 2004, 79f.). Instead of being able to challenge the strong political centre for rights of self-administration, some of the guilds from the centre, London, seem to have responded by setting up their own organisational structures along the lines of the centralist state. For instance, the goldsmiths and pewterers, to a slightly larger degree the stationers and framework knitters, at least 'represent modest success stories' (Gadd and Wallis 2008, 313) in trying to make the political authorities imposing their London regulations on the rest of the country – but, as the authors note, based on the specific political context of monarchical centralisation in which the king was able to delegate nation-wide authority without having to rely on parliament. In consequence of this setup, when conflict emerged, it was of the fundamental regulatory rather than the distributive variety: London stood on the parliamentary side during the Civil War and supported the Glorious Revolution in 1689 – events that did not simply challenge the specific distribution of power within a largely given context of political order, but that indeed triggered large-scale political change.

3.4.5 On the Southern rim: Sicily and Castilia

Political power had also been centralised relatively early in Southern Italy, at the latest with the transfer of authority over Sicily from the Anjou to the crown of Aragon at the end of the 13th century. Under political dominance by powerful outside rulers, the guilds found themselves in a weak position both economically and politically, as they could neither enforce membership nor vocational training regimes. In consequence, Sicily remained a largely agricultural economy (Lombardo 2001). In Castile, meanwhile, the guilds only rose to their greatest importance in the 17th and 18th centuries (Ribalta 2002). Institutions in this scarcely urbanised and therefore politically strongly centralised environment had been defined in its development by the bellicose needs of the *Reconquista* project. The guilds in Castile never acquired large-scale political influence (Casado Alfonso 2004, 315). Instead, the role of coercion in state formation given the need to secure borders in the European periphery seems to have been paramount here, as discussed in various ways by the theorists of state formation mentioned above.

3.5 SUMMARY

Indicator	**West of the Rhine**	**Along the Rhine**
Territory	France	German lands Low Countries
Type of polity	Early centralised	Decentralised
Power distribution between political centre and cities	Less contested (Weak cities)	Highly contested (Strong cities)
Main function of the guilds	Instruments of state-economic policy	Local self-administration
Main respondent to Black Death shock	State (Price controls)	Guilds (Wage moderation)

Table 5: *Medieval complementarities between political order and economic organization*

The further we move away geographically from the continent's politically decentralised core, the later the guilds occurred, the less influential were they politically, and the more were they supported and, in turn, controlled, by powerful central-state authorities. Whether they enforced relative economic freedom (England), implemented nation-wide standards and state *dirigisme* (France), or preserved peasant serfdom (much of Eastern Europe), the centralised political institutions east and west of the decentralised belt seem to have been accompanied by weaker forms of basic proto-coordination. As opposed to this, the joint enabling effect on governance by collective action in small polities led to a situation where already during the Middle Ages, political decentralisation and proto-coordination became institutional complementarities – a pattern that would soon come under serious pressure during the early modern period. Table five sums up these findings, displayed for the German lands and my two main comparative cases, France as well as the Low Countries (at this point still belonging to the Holy Roman Empire).

PART II: EARLY MODERN CHALLENGES

4 STATE FORMATION: THE RISE OF THE LEVIATHAN AND THE INVENTION OF SUBSIDIARITY (1517-1806)

The existing complementarity of proto-coordination and political decentralisation came under pressure in the early modern period. The challenge arrived in the form of political centralisation, threatening to undermine the political underpinnings of local proto-coordination. Recall that as discussed in the previous chapter, the existence of proto-coordinated institutions of human capital formation seems to have relied crucially on the complementary presence of political decentralisation, limiting the size of polities to a degree that facilitated the local organisation of collective action in bodies such as the guilds. This chapter will show how, when they faced a growing push for territorial centralisation, the answer given by local proto-coordinated actors determined to maintain their model of human capital formation was the establishment of the political principle of subsidiarity. This was an attempt to interpret the concept of political decentralisation in an updated, early modern way. We have seen that respective patterns had long been in play, but as a poltical concept, subsidiarity provided a normative basis for the creation of territorial states while retaining significant rights of local self-administration by creating overlapping levels of political authority, thereby institutionalising an impetus for permanent negotiation. The challenge of the centralised and territorial Leviathan was fought off in the political realm: significant amounts of decentralisation were maintained during the early modern period, as the newly emerging, larger polities emerged in a way that institutionalised updated forms of local self-administration in small sub-polities. As the subsequent chapter will then show, this enabled local actors to maintain traditional forms of proto-coordination and develop upgraded variants that allowed for the coordinated provision of human capital formation also under the changing economic circumstances of early industrialisation in towns and in the countryside.

The period covered in this and the following chapter is the early modern era, spanning from 1517 to 1806. I start in the year in which Martin Luther posted his 95 theses at the door of the castle church in the East German city of Wittenberg, thereby unravelling the age of the religious wars; these resulted in the creation of the modern system of territorial states as defined in the Westphalian Peace of Münster and Osnabrück in 1648. Meanwhile, I choose 1806 as the end point for this part of my thesis. This is the year in which the Holy

Roman Empire ceased to exist, which led to the restructuring the German lands following Napoleon's military triumphs. In this sense, 1806 marks the advent of a modernised system of states to Germany.

Based on the work of historians, the picture I am drawing here is one in which early modern state formation did indeed lead to a densification of political power everywhere across the continent. Historians have long analysed how the medieval decentralisation discussed in the previous chapter came under pressure everywhere in Europe during the period from the religious wars of the 16th and 17th century to the French revolution. The early modern era saw the rise of absolutism, with monarchs growingly beginning to depict themselves as the sole holders of political authority and consequently trying to centralise power at their courts (for instance Rosenberg 1966 for the case of Prussia). Underlying this development was a pattern that has best been described in the famous claim that 'War Made States, and Vice-Versa' (C. Tilly 1992, 67). Since the newly created, standing armies of the early modern era with its religious wars had to be funded somehow, expanding the tax base became an imperative for early modern rulers. This constituted the project of fiscal centralisation as such. At the same time, it went along with the construction of the required bureaucratic and administrative capabilities. From this perspective, the growing reach of early modern state authorities is the growth of taxation, state bureaucracy and standing armies, all fostered in the 'institutional hothouse' (Ogilvie 1996a, 136) of the Thirty Years' War (1618-1648).

However, this process did not necessarily and always yield outright centralisation. Instead, it often led to a re-connection of the early modern drive towards densification of political power to older, decentralised structures dating back at least to the Middle Ages. Although state formation did indeed experience a decisive boost during this period, historians have since the 1970s begun to question the degree to which early modern monarchs were really able to achieve their goal of unrestricted rule, independent from interference by the groups that had influenced government under medieval feudalism: the clergy, local nobility and the cities (Henshall 1992; see also P. Anderson 1979). In fact, as cross-European comparative studies convincingly argue, the rise of so-called 'fiscal-military states' during the 16th and 17th centuries did not occur in one, but in multiple shapes and forms, from its monarchic beginnings in Spain to the 'bourgeois' variant in the Low Countries and its 'dynastic' version in Sweden (Glete 2002).

In the remainder of this chapter, I will highlight especially the role of subsidiarity as a normative concept, built on traditional forms of political decentralisation in the German lands and in the Low Countries. France will be surveyed as the comparative case, before a summary concludes. The effect that the overall continuity of patterns of political decentralisation had on the survival of complementary, coordinated forms of human-capital formation in the era of proto-industrialisation will then become clear in the following chapter.

4.1 THE GERMAN LANDS: BETWEEN CENTRIFUGAL FORCES AND DENSIFICATION

As scholars such as Sheilagh Ogilvie have pointed out from a liberal perspective, the growing reach of the early modern state did not only challenge the urban guild system, but was also a key reason behind the wider economic crisis of the 17th century. In the Habsburg lands, for instance, administrative cohesion increased around the turn of the 17th century in the course of financing the war against the Turks. This caused violent upheavals in Further Austria. Similarly, while the payments of Bavarian peasants to their immediate landlords had quadrupled over the period between 1480 and 1660, their taxes to the Bavarian state had grown by the factor of 22 during the same time. In Saxony, taxes rose more moderately and could also be much easier serviced due to an early modern proto-industrial base that was far superior to that of agrarian Bavaria. Nevertheless, after many parliamentary objections against tax hikes had already been overruled during the 1630s, a military levy introduced in 1646 increased tenfold in size up until 1700. In Brandenburg, after the collapse of the state during the Thirty Years War in 1620, the re-emerging political structure was one in which central authorities stroke a deal with large landowners. It essentially rested on the levying of taxes in return for the state enforcement of serfdom (Ogilvie 1992, 429 ff.; see also S. R. Epstein 2001).

These developments did indeed occur all over Europe, but recent historical research also reminds us of how important it is to remain sensitive for the – at times far-reaching – regional differences in intensity; in cross-European comparison, early modern state formation in traditionally decentralised areas, including large parts of the German lands, occurred in a very specific process that was distinct from the experiences in other parts of the continent. Rather than based on the programme of outright centralisation that had its stronghold in monarchies such as England, France and Castile, (see below) the decentralised Holy Roman Empire of the 15th century underwent a process of 'densification' of power via the dualism between the imperial diet (*Reichstag*), which represented the different territories, and the emperor (Moraw 1989, esp 635ff.). Hence, the provision of public goods such as the protection from feuds – which helped to foster economic exchange between distant economic centres like in the case of Cologne in the Lower Rhine and Basle in the Upper Rhine during the early modern period – improved in Germany in a distinct political process in which independent territories and the emperor coordinated and negotiated their interests, rather than in a centralised effort (Chilosi and Volkart 2009).

The Holy Roman Empire was a 'composite state' in which 'politics were channelled by a complex institutional framework of interlocking and competing levels of sovereignty' (Ogilvie 1992, 428). State formation did therefore to a much lesser degree confront political decentralisation but rather depended on it – a pattern that dated back to the 12th century, when Emperor Frederick Barbarossa had established new territorial duchies across the empire. Afterwards, this pattern had continued during the days of contested elections of medieval emperors (*Doppelwahlen*) and the 1356 Golden Bull of Charles IV, which had formally institutionalised the rule of territorial authorities, up until the 1648 Peace of Westphalia. Rather than centralising authority over a large part of Europe, state formation in the Holy Roman Empire continued to endow the periphery with significant political powers – a pattern that sociologist Norbert Elias (1982) famously compared to the physical phenomenon of 'centrifugal forces.' As a result, the reality of early modern state formation hardly managed to match princely self-conceptions as the sole holders of absolutist authority. Especially in the Holy Roman Empire, the absolutist project was limited by the structural competition between the level of the many territorial states and the imperial realm. If anything, attempts of centralisation often rather tended to trigger opposition dynamics of state formation on the lower level, as local authorities saw this as the most promising strategy for living up to the challenge of centralisation.

In this context, the increasing religious conflicts of the 16th century are of crucial importance. While the raising of imperial taxes often served as a trigger for lower-level authorities to follow suit and also generate new sources of income – as well as related state bureaucracies – the religious conflicts fostered the consolidation of political authority on the lower level in a different way. Because the German emperors tended to side with the Catholic cause, this motivated protestant attempts of state formation on the lower level, in competition with and often directed against the Catholic-imperial agenda of centralisation (Ogilvie 1992, 429). On the road to the peace of Münster and Osnabrück, crucially, the challenge of early modern territorial state formation therefore triggered the translation of the older, medieval traditions of decentralised government into an early modern, normative concept of societal organisation: subsidiarity. This concept served as theoretical foundation for the arguments put forward by the Protestant side in the negotiation terminating the Thirty Years' War in 1648. It was designed to avert the Catholic-imperial onslaught on the principles of decentralisation and territorial representation (Hoke 1998). In the resulting Westphalian system, subsidiarity continued to provide regional and city authorities with far-reaching political autonomy.

Derived from the Latin word *subsidiar* (to help), the concept framed central and higher-level state authorities as merely assisting local polities in regulating their own clerical, political and societal affairs. This claim – developed by Calvinist thinkers of the 16th and 17th century such as Johannes Althusius (ca. 1563-1638) – rested on the fundamental idea that families and local communities as the basic units of societal life were 'governed by special sets of rules specific to them, and not by a general rule of sovereignty' (Hueglin 2003, 279). These local structures therefore required tailor-made governance and administration that could not be provided by a distant political centre. Although subsidiarity is often considered a product of 19th and 20th century Catholic social teaching (see the discussion of public welfare schemes in the German Reich below), it did, in fact, initially serve as a political concept aimed at safeguarding local Protestant patterns of community organisation against the pressures of early modern Catholic agenda of imperial centralisation. While later versions of political decentralisation – most importantly the model developed by the Federalists of the emerging United States – tend to allocate political authority to different levels of government, based on strictly defined legal rights (essentially introducing a territorial variant of checks and balances to the US political system), Althusian subsidiarity is different. With its focus on the bottom-up management of multi-level interaction and societal complexity, it rather paved the way for the constant negotiation of political power within and among plural communities (Hueglin 2003).

The differentiation between subsidiarity and US-style federalism is important. This is especially so given that the clear-cut division of rights and duties associated with the latter concept render it an enticing variable for operationalizing political decentralisation in an arguably more elegant way – even more when compared to the lengthy, comparative-historical studies required for mapping the overlapping and often blurry lines dividing different spheres of competence under subsidiarity. In this sense, Barry Weingast's (1995) concept of 'market-preserving federalism' can indeed serve as a helpful (counter) point of departure. While Weingast advocates precisely a US-style, rights-based form of political decentralisation, clearly dividing political competencies across hierarchical levels, subsidiarity seems to have had a different effect. It created overlapping spheres of authority – Gerhard Lehmbruch's (1996, 56) 'managed co-existence of representational monopolies' – thereby fostering consensual exchange. While a decidedly limiting effect on state involvement seems to render Weingast's concept in fact a recipe for preserving *liberal* market orders, what seems to have emerged in some parts of Europe during the early modern period might hence instead be labelled *coordination-preserving subsidiarity*. This institutional complementarity provided for the stability of coordinated human-capital formation in Germany and similar places going forward.

Against this backdrop of institutional complementarity of decentralisation and proto-coordination under subsidiarity – and given that the Protestant side advocated subsidiarity during the era's religious struggles – it is hardly surprising that in decentralised Europe during the Reformation, the Free Imperial Cities located roughly along the Rhine and the partially autonomous cities in Central Germany such as Wittenberg became centres of the Protestant cause: the subsidiarity that came with the Reformation promised renewed and expanded rights of self-administration (Blickle 2000). Meanwhile, in rural communities (*Gemeinden*) in Southwest and Central Germany, the Peasants' Wars broke out in 1524/25. There, issues such as serfdom and rising taxation played a central role (Blickle 1981). Surely, in these regions, the eventual outcome was the increase of state taxation and bureaucracy witnessed across the entire continent during that time. However, this occurred under varying circumstances locally. In places like Württemberg in the German southwest, for instance, a territorial state apparatus still had to be constructed during the 17th century, indicating the relative time lag compared to early centralisers (Ogilvie 1992, 431). One important reason was that in Württemberg, the 1514 Treaty of Tübingen had equipped the estates with far-reaching constitutional powers. Five years later, the estates achieved *Reichsunmittelbarkeit*, the status of being subject to no higher authority except to the emperor himself, as well the representation of every administrative district in Württemberg in one of the two state chambers (Ogilvie 1997, 81 f.). In regions like Württemberg, hence, emerging territorial states were often left with no other choice but to respect local institutional settings in return for efficient taxation and the enforcement of mechanisms of 'social control', a pattern that could also be witnessed in Germany's independent-minded Free Imperial Cities and city-states (Ogilvie 1996b, 33–37).

Vivid examples of this distinct pattern of state formation are displayed in places within the city belt (such as the Rhineland) but also in areas reaching further into Central Germany (such as Westphalia). In 1437, both in the Rhineland and in Westphalia, local actors acquired substantial influence over the domestic politics of the dominant regional power, the Electorate of Cologne. Local actors organised in regional representative bodies (*Erblandesvereinigungen*), the first estates in the Holy Roman Empire (Conrad 2003, 29). This marked a very distinct form of political emancipation: while centuries later, liberalism in England and in revolutionary France started out from the concept of individual rights, early modern institutions like those in the Electorate of Cologne rested on the inclusion of certain groups and estates into the government of the state and the administration of the economy (Rowe 2003, 6). In an environment of subsidiarity, the state saw its role in catering to the interests of those groups incorporated in the process of economic policy making. This would later give rise to an extremely pragmatic form of political liberalism in places such as the Rhineland, fostering business growth by a mixture of regulation and free-market policies instead of enforcing abstract programs of individual emancipation. Regardless of these later developments, the proximity of these forms of representation emerging in Cologne during the early modern period on the one hand, and concepts such as subsidiarity and cooperative decentralisation on the other, is striking.

Confronted with the challenge of these new, locally representative bodies, the Cologne bishops at first followed divide-and-rule strategies. However, after their continued attempts of aggressive territorial expansion had led to fiscal and economic ruin under Archbishop Dietrich von Moers, local authorities seized the opportunity to increase their say over the archbishopric: in 1463, the Rhenish Estates were introduced, comprising of the Cologne cathedral chapter, counts, knights and representatives of key cities, whose support the archbishop required for political and financial decisions (On the example of Westphalian respresentation within Rhenish Cologne, see Klueting 2009). Any ecclesial attempt to diminish the powers of local self-administration over places such as the Westphalian city of Soest, fuelled political conflict, such as in the *Soester Fehde* (1444-1449), 'probably the most important power-political conflict in the north-west of the empire in the 15th century' (Honemann 1999, 217). Despite an Imperial ban (*Reichsacht*), Soest successfully resisted a coalition of the bishop of Cologne, the Free Imperial City of Dortmund and Emperor Frederick III. The city left the Electorate of Cologne and subsequently joined the duchy of Kleve-Mark, which was willing to endow it with far-reaching rights of autonomy. It is no surprise, then, that places defending their rights of self-administration as eagerly as the city of Soest possessed an internal city government in which proto-coordinated institutions played a central role.

As in the comparable case of the *Kölner Stiftsfehde* (1473-1480) – which was fought about the belonging of the Rhenish city of Neuss a couple of years later – the two forces colliding essentially reflected the two different variants of early modern state-formation: on the one hand stood the archbishop of Cologne and his allies, the emperor and middle-German electors like the House of Wettin, while on the other, the power aspirations of the dukes of Burgundy challenged the former group's project of territorial centralisation (Heimann 1996, 192): Johann I of Kleve-Mark was backed by his uncle, Philipp the Good, duke of Burgundy and, tellingly, after 1424 the first convener of another institution of decentralised state formation, the Dutch States General and its predecessors (Vaughan 2002, 202 ff.). Against this backdrop, it does not seem too far-fetched to claim that what the citizens of proto-coordinated cities such as Soest essentially pursued was political separation from the concept of territorial centralisation. They fought for their integration of their proto-coordinated city into the decentralised political order of the Lotharingian city belt: 'Local consensus was seen as identical with the position of the city vis-à-vis the archbishop, and for this reason, a sort of equilibrium principle was formulated regarding relations between the city and the *Stadtherr* or landlord respectively' (Heimann 1996, 198; translation: CN). Contemporary actors seem to have been well aware of this. At the time, propaganda quickly began to frame the conflict as a battle of good versus evil. However, both parties remained aware of the underlying conflict between the city's autonomy and the archbishopric's power-aspirations as the original source of confrontation (Honemann 1999, 227).

As mentioned above, the archbishop's ultimate defeat in the battle for Soest also put pressure on his domestic power aspirations. Cologne's estates that utilised the expensive and ultimately unsuccessful wars to increase their say over domestic politics (Droege 1957). Hence, in 1590, the clerical authorities had to renew their commitment to the estates. The latter's approval was, for instance, required in questions of taxation. Absolutism was, thus, extremely limited in the Cologne lands (Conrad 2003, 29), and the formation of the territorial state did, in fact, last on the active role played by powerful local authorities.

With local and regional modes of representation remaining strong despite the drive for centralisation during the early modern period, the need for permanent negotiation, rather than the political centre simply inflicting absolutist policies on the periphery, continued as a key characteristic of Rhenish-Westphalian politics going forward. Interestingly, this pattern also remained existent after 1609, when regional core areas outside the Electorate of Cologne – the duchies of Jülich-Kleve-Berg and Mark – joined an ambitious yet still small kingdom, which would soon turn into a major European power: the Mark Brandenburg, the later Prussia (Clark 2007, 13 ff.). Long before the foundation of the two respective Prussian provinces after the Vienna Congress in 1814/15, areas central to the economic development of the decentralised world of the Rhineland and Westphalia had thus already belonged to Prussia. As opposed to many West and Southwest German areas with a comparable economic record of proto-coordination, hence, the incorporation of the Rhineland and Westphalia into a very different political entity made proto-coordinated preferences highly visible, contrasting with the project of east-Elbian absolutism within a single jurisdiction. Much more than elsewhere in the proto-coordinated zone, hence, the stance local actors took in the political realm became visible in the frequent conflicts and negotiations local authorities led with the central government in Berlin.

Certainly, conflict between the central government and the local level was frequent during the early 18th century also in other areas within Prussia, for instance, in the East-Prussian Königsberg, today the Russian city of Kaliningrad (Clark 2007, 112 f.). However, relations between Berlin and its western possessions were especially strained due underlying, fundamental differences in the economy. As opposed to developments in the west, and in the absence of either liberal or proto-coordinated market solutions, the strengthening of feudal bonds east of the river Elbe during the 15th century had created an economic structure rather obstructive to rural economic growth (Kisch 1989, 40). Eager to strengthen its grip on the new western possessions, the government in Berlin watched with great suspicion the century-old western traditions of proto-coordination. Meanwhile, the craftsmen and merchants of the western provinces were unwilling to finance the project of Brandenburg's rise to European power. Financial reluctance in the west was coupled with a proud local identity and a strong sense of affinity to the neighbouring, prosperous Dutch provinces rather than to the vast eastern plains around Berlin. This also reflected in small, but highly symbolic policy choices. Kleve, for instance, maintained an independent diplomatic mission at The Hague up until 1660, occasionally looking for support there in its various struggles with Berlin. Moreover, local authorities of Kleve-Jülich-Berg in the Rhineland and the Westphalian duchy of Mark often joined forces to defend local autonomy from Berlin (Clark 2007, 55 ff.). When the entire Rhineland was finally incorporated into Prussia in 1815, Cologne banker Abraham Schaaffhausen famously cried out: ‘We are marrying into a poor family!’ (cit. in Poll 1967, 17). Such Rhenish sentiments were rooted in centuries of historical experience. For instance, already the protests of local elites from Kleve against the excessive rise in levies the duchy had to contribute to financing the Prussian Northern War (1655-60) against the Swedes had simply been ignored by Berlin (Clark 2007, 57).

However, in a state as far-stretched and including as great a variety of regional identities and economic preferences as Brandenburg, centralisation was difficult to achieve in the long term. During the 17th century, more sophisticated models of inner-Prussian conflict resolution arose between Berlin and its western possessions, relying, for instance, on the intermediate institutions of regional estates. Partly responsible for this was the established economic power of the Rhenish and Westphalian possessions, which put them in a relatively strong position vis-à-vis the central government in Berlin. Indeed, the very foundations of western economic performance remained largely untouched by the Prussian administration. Again, Westphalian Soest provides us with an indicative case. The city defended its local particularities: the old Hanseatic city on the Hellweg trading route, renown for its municipal code model followed in many other cities (*Soester Stadtrecht*), managed to hold on to its specific urban institutions of political representation and economic governance, including a proto-coordinated judicial system. In the early 18th century, the goal of elector Frederick William I to centralise political power in the hands of his territorial government did, in fact, increase the influence of local elites. While their direct involvement in central-governmental decision-making was limited, they held power over the appointment of crucial positions of regional administration, such as the *Landrat* and the district commissioner, who negotiated taxes with the central government and was responsible for the local allocation of tax burdens. ‘The government thus conceded a measure of control in order to secure the cooperation of local mediators enjoying the trust and support of the district elites’ (Clark 2007, 63, 113).

One crucial point should have become clear during the discussion above: in the early modern period, the question of political decentralisation was by no means limited to a conflict between territorial rulers and the Free Imperial Cities of medieval days. Instead, entire regions started to play a crucial role – as, for instance, in the case of the Cologne *Erblandesvereinigungen*. As will become clear in the following chapter, this political development was also mirrored by a more balanced distribution of economic productivity between rural and urban districts in the western territories. In the political realm, one this pattern also became visible in local demands for the implementation of municipal codes not only in cities but also in rural towns and villages. However, the Prussian government, interested in protecting the power position of the landed aristocracy in rural areas, opposed this (Steinbach 1932, 178 ff.). In its Westphalian possessions, Berlin did at least assign rural communities with the status of public corporations (Deter 1990, 257).

This last example is interesting as it highlights that the local level was not always entirely successful in the early modern clashes over self-administration. At the same time, in overall terms, conflict seems to have been more and more replaced with a more pragmatic stance towards the regions, in Prussia especially in the west. In essence, and especially in its dealings with its western possessions, even Prussia with its staunchly centralised apparatus east of the Elbe, had to remain an agglomerate of distinct provinces with their own administrations, forming a quasi-federalist political entity in order to guarantee the loyalty of incorporated regions such as its western areas (Wright and Clark 2008, 283 ff.).

4.2 The Low Countries: Merchant federalism and the *Staaten-Generaal*

Widening the scope beyond the area of the Holy Roman Empire, the parallelism of developments in Rokkan's decentralised city belt is again becoming apparent. A case roughly comparable to that of the German lands can be made for the Low Countries, on the north-western end of the belt. This area famously managed to emancipate itself from the Holy Roman Empire during the religious wars of the 17th century. This only adds to the claim that in the Holy Roman Empire, the early modern densification of political power went along with equally as powerful, centrifugal forces.

In what later were to become the Netherlands, the process of early modern state formation yielded the outcome of a federalist merchant republic. The integration of political power succeeded to some degree but, nevertheless, remained a difficult endeavour that became possible only in return for substantial rights of self-administration retained by the local authorities carrying the process of state formation. Under the rule of Philip the Good, the *Staten-Generaal*, an assembly of delegates from provincial estates including the clergy, nobility and the third estate, had met for the first time already in 1464. This insttution initially offered little room for deliberation and negotiation, but after the death of Philip's son, Charles the Bold, Mary of Burgundy could only establish her rule over the Low Countries in return for the right of convening at their own initiative, as enshrined in the Great Privilege of 1477. When in 1522, the Low Countries became the Spanish Netherlands, matters of taxation and merchant self-administration – mixing with the religious question – played an important role in fuelling Dutch resistance during the Eighty Years' War (1568-1648), while towns and provinces stood in for the nearly bankrupt central government (Tracy 2008, 45ff.). In its course, the seven northern provinces proclaimed the Dutch Republic in the Union of Utrecht of 1579, and their independence from the Holy Roman Empire was sealed eventually in the Westphalian Peace of Münster and Osnabrück in 1648.

Hence, although the fight for independence from Catholic suppression under the Spanish and the Holy Roman crowns yielded some degree of political integration in the early modern Low Countries, the interests of powerful merchants, feudal lords and towns continued to balance out efforts of stronger centralisation, especially if pushed by Catholic suppressors. This pattern led to the characteristically Dutch, highly dynamic system allowing for the quick rise and decline of cities and provinces, which also came to fuel the dynamics of early merchant and industrial growth in the Netherlands (S. R. Epstein 2001, 45 f.). In essence, the densification of political power in the emerging Dutch state was a process largely sponsored from below, as the preservation of rights of local self-administration went hand-in-hand with the construction of overarching political structures able to secure independence from both Spanish suppression and German-Catholic rule.

4.3 France: Centralisation and the age of absolutism

Contrasting the developments in and on the rims of decentralised Europe, there is evidence for the well-known view that France – jointly with England – was indeed the leader in early-centralised state formation. This view is famously reflected in Charles Tilly's classification of these two countries as examples of the strongly integrated, 'capitalized coercion' mode of state formation. A similar perspective underpins the work of authors such as Michael Mann (1986; see also Rosenthal 1998). Again, tax collection serves as a good example of the increasing centralisation achieved on different paths in France and England.

Following the Hundred Years' War (1337-1453), which had seen the emergence of national identity and political centralisation especially in France, the early modern period witnessed a further continuation of this trend. After the obstructive influence hitherto exterted by the French estates general on tax collection had been curtailed in 1430, this representative institution continued to meet only infrequently until 1614, after which it was eventually abandoned altogether. From then on, only provincial estates were left to counter the growingly centralised power of the French kings. However, as the declining number of conventions until the middle of the 17th century indicates (they were halved from 18 in 1622 to only nine after 1656), decentralised structures seem to have been on a general retreat. Instead, what followed after 1660 was the period of centralised bureaucratisation famously achieved under finance minister Colbert. As is highlighted by quantitative studies of the positive impact that these developments had on tax collection, the entire period between 1514 and 1788 saw a dramatic increase in French administrative centralisation (Kiser and Linton 2001).

Crucially, the character of early parliamentary assemblies was very different in France than that of – equally early-centralised – England. Instead of robust, territorially based bodies of representation as in England, the French assemblies were structurally much weaker, status-based estates – a historical heritage that might well be blamed on Latin patriarchal institutions that had survived the arrival of the Germanic tribes in the Great Migration. These assemblies hence were at much greater risk of falling prey to royal attempts of broadening central powers. As this risk had materialised, that is, after the weakening and even the abolishment of the French estates during the 16th and 17th centuries, the result has been described as an effective irrationalisation of politics: strengthened central powers allowed the growingly absolutist French crown to engage in war very effectively and, via France's massive gains during the Thirty Years' War, catapulted the country to the position of Europe's most powerful nation (Ertmann 1997) – a picture very different from the early-modern German lands and the Low Countries of that period.

In this sense, the centralisation of the French polity seems to have come about less in a directly coercive or purposeful manner, but rather in a way that did to some degree encompass interaction with local authorities and that did preserve plenty of the French state's more traditional, feudal characteristics, such as satisfying the interests of its landowning elites, as in pre-absolutist times. Still, while the way in which centralisation was achieved might be debated, there is almost no question in the literature about the outcome: The king's political initiative increased, the strength and reach of national ministries rose, and the size of state administration grew (Collins 1995; see also Skocpol 1979, 52 ff.). The absolutist rule of Louis XIV between 1643 and 1715 still makes for the most striking comparison with the German lands, for which we have seen that during the same period the outcome of the Thirty Years' War was an extremely decentralised political setup characterised by the invention of subsidiarity. In France, however, the *Fronde*, the series of civil wars between 1648 and 1653, can hardly count as an equivalent. This is especially true not just in terms of length of the conflict that also pitted local and artisan interests against the centre, but primarily because of its outcome. It has been described as the last instance of territorial authorities trying to challenge the rule of Versailles – and, crucially, failing (Skocpol 1979; see also Ranum 1993).

As highlighted above, England appears as the ideal comparative case to highlight the peculiarities of French centralised state formation. Although the same result as in France was achieved in early modern England, centralisation there occurred via a different developmental path. In England, it were the in fact expanding powers of Parliament – a bicameral, territorially based, and therefore very different kind of representative institution – that tended to support political centralisation during that period. In a nutshell, the incorporation of larger groups of state elites into the decision-making process in Westminster increased their willingness to pay for the expansion of centralised bureaucracy. It is hence hardly surprising that the English civil war of 1640 emerges as a watershed after which decentralised patterns in tax collection were overcome and administrative centralisation increased (Kiser and Linton 2001; Ertmann 1997, 185ff.).

Meanwhile, in France, the aforementioned interplay with regional authority is of course of special interest for the purpose of this thesis. From Charles Tilly's perspective – where wars made states and states led wars – the promotion of the later absolutism under Colbert and Louis XIV was not so much a specifically desired political goal in itself during the 1630s. Instead, when the French crown faced problems raising the funds required for its military endeavours of that time, Cardinal Richelieu deployed his own, royal administrators from Paris into the provinces in order to replace or at least circumvent local authorities (C. Tilly 1992, 26). The result was that the previously all-influential holders of local hereditary noble positions were stripped from their political power by replacing them with intendants of the crown growingly running the provinces. These representatives of the king were responsible for issues from taxation to justice and regulation – crucially, they played a key supervisory role in city governance (Temple 1966). However, far from a purely feudal-absolutist (or, centralisation, for that matter) conflict, it was this logic which also seems to have provided for the conflict fought out in the *Fronde*: indeed, chartered cities and towns, local interests and especially the artisanate seem to have played an equally crucial – although ultimately losing – part in that relatively brief civil war (Moote 1972).

In this sense, centralisation seems to be the more appropriate description for the dynamics in the French polity of that time, than the simple assertion of the rise or even the prescription of absolutism. This also highlights in a much clearer way the main outcome relevant from the perspective of this thesis, the decline of local political self-administration – in stark contrast to German and Dutch subsidiarity. It is under this aspect of local governance that also the French Revolution of 1789 should be primarily assessed here. If considered from a centralisation perspective rather than from the vantage point absolutism, the continuities with pre-revolutionary times are striking: the legislation providing France with a uniform framework of regional administration, dividing the country up into 83 *Départements*, was passed in 1791. While the administration of public goods was rationalised by decisions such as the introduction of a single central treasury in the same year – among revolutionary concerns with corruption divided into the non-political *Trésor* and an actual ministry overseeing contributions (Ertmann 1997, 151ff.). However, given the locus of these innovative institutions, all this ultimately served to strengthen the national level vis-à-vis local government also under the new, enlightened and rationalised political system, as well as the *Terreur* and the Napoleonic rule that were to follow soon.

4.4 Summary

Indicator	German lands	Low Countries	France
Main effect of Thirty Years' War	Continued decentralisation	Independence	Significant expansion of power
Dominant direction of state formation, circa 1648	Subsidiarity	Subsidiarity	Centralisation
Shape of the polity, circa 1789	Quasi-sovereign micro-territories	Confederated republic	Absolutist monarchy

Table 6: *Subsidiarity and centralisation in early modern patterns of state formation*

Instead of vanishing altogether under the onslaught of the early modern build-out of central state capabilities, hence, the development of complex, cooperative forms of decentralisation – specifically as in the concept of subsidiarity – yielded a distinct variant of state formation in the city belt along the Rhine, as is exemplified by the German lands and the Low Countries. This differed quite sharply from the more clear-cut centralisation of political powers experienced in France.

As already experienced during the Middle Ages, these particularities in political organisation once more had important consequences for the institutional complementarity with economic proto-coordination. It is this latter aspect that the following chapter will speak to now.

5 Maintaining complementarities: Subsidiarity and coordinated proto-industrialisation (1517-1806)

While in politics, a main characteristic of the early modern period was the push for the construction of territorial states, the economy witnessed the earliest traces of larger-scale, mechanised production, in and outside the towns, the so-called proto-industrialisation (Kriedte, Medick, and Schlumbohm 1981). Existing studies on the economic innovations of that period have usually either depicted it as a rapid departure from previous, medieval forms of proto-coordinated human capital formation in bodies such as the guilds (Landes 1969); or they have acknowledged – and mostly bemoaned – certain continuities, explaining these with the continued government imposition of market-stifling rules. For instance, the resulting politico-economic order has often been referred to as 'state corporatism' with regard to places with high degrees of continuity in organising local economies, such as Württemberg in the early modern period (Ogilvie 1997, esp. 72 ff.). The same term has also been used to describe later periods such as Bismarckian Prussia and the German Reich of the late 19th century (Abelshauser 1984).

However, the alternative picture emerging from a survey of the historiography in this chapter is one in which the survival of coordinated forms of human capital provision during proto-industrialisation in the geographical middle grounds of Europe was to a much lesser degree the result of top-down imposition. Instead, as the previous chapter has shown, these economic changes occurred within an institutional framework of continuously decentralised, subsidiar political entities, even in the context of the creation of larger territorial states. This meant the preservation of higher degrees of effective self-administration of local economies. In turn, this survival of small sub-polities facilitated the organisation of collective action in bodies such as the guilds, and therefore enabled local actors to maintain traditional forms of proto-coordination and develop upgraded variants that allowed for the coordinated provision of human capital formation also under the changing economic circumstances of early industrialisation in towns and in the countryside. The result of the continued complementarity of political decentralisation and basic forms of coordinated human capital provision under subsidiarity was an early coordinated version of early modern proto-coordination.

In order to analyse these dynamics, this chapter will first discuss the traditional and more recent views on the economic changes summarised under the label of proto-industrialisation. The remainder will then take the same form as the previous chapter, surveying, first, the complementarity of coordination and subsidiarity in the German lands, followed by comparisons with the more clear-cut cases of the Netherlands and France. A brief summary will conclude the main findings in a table.

5.1 Industrialisation before industrialisation

We have already seen how the High Middle Ages had witnessed an increase in economic activity following the Black Death pandemic. Beginning around the turn of the 15th century, the increased productive capabilities growing out of mechanisation – jointly with changing consumption patterns and the gradual exploration of the countryside as a location for economic activity beyond agricultural production – began to alter economic life. Although the discovery of this 'Industrialisation Before Industrialisation' (Kriedte, Medick, and Schlumbohm 1981) has come to challenge the traditional view of heavy industrialisation as a revolutionary 19th-century process without historical roots or precedent, it remains in many regards still rooted in this traditional perspective: just like most industrial-revolution scholars, advocates of the proto-industrialisation approach are often convinced that the new economic dynamics of the early modern period ended the control that urban, proto-coordinated institutions of human capital provision such as craft guilds had so far held over the economy.

The original view on proto-industrialisation depicts it as a phase in which rural, family-based production of simple goods preceded the growth of the later industrial revolution. This trend was especially strong in those regions where rural peasants were forced by economic factors to engage in by-employment aside their agrarian work. In places such as the Rhineland and Flanders, a key factor behind this was local inheritance laws: the tradition of partible inheritance (*Realteilung*) in rural areas meant that the land held by a father was distributed evenly among all his children. Over the generations, this had led to extremely small and fragmented 'dwarf' peasant holdings. This property structure, in turn, did not only require peasants to practice intensive agriculture but also to engage in by-employment to provide for their families' livelihood. At a relatively early stage, *Grundherrschaft* had also replaced estate farming (*Gutsherrschaft*) in places such as the

Rhineland, meaning that noble seigniors did no longer control peasants as serfs but instead lived of their taxes and rents (Kriedte, Medick, and Schlumbohm 1981; on Flanders see esp. Mendels 1981).

The result of these regional particularities was that in regions like the Rhineland, peasants owned their land and were eager to engage in work at home. This pattern provided fertile grounds for the emergence of dense industrial regions, so-called (*Gewerbelandschaften*): entire regions entangled with the work of many, decentralised, small-scale producers engaged in the different steps of the manufacturing process of a regionally dominant product (Pohl 1986; Kiesewetter 1989; Fremdling and Tilly 1998). Wage-labour occurred within the so-called putting-out system (*Verlagssystem*), in which an urban merchant supplied outworking peasants in the countryside with raw materials and capital for machines and paid them very low wages in return for finished wares before selling the latter in the market. Regional governments eager to capitalise on these economic dynamics were often supportive of these commercial activities. Out of these traditional rural-urban producer networks, beginning industrialisation created the development of regionally characteristic *Mittelstand* economies with its characteristic amounts of small and medium-sized firms (Herrigel 1996, chap. 2). The consequence of this move of economic dynamism to the countryside was the decline of the guild-controlled city economies (Kriedte, Medick, and Schlumbohm 1981, 22 f.).

This view on early industrialisation still has much in common with those who saw industrialisation as a revolutionary development of almost mystic dimensions, causing the rise of modern man as the 'Unbound Prometheus', freed from the old constraints of the medieval guild economy (Landes 1969). Recent research by economic historians, however, has shown that beginning industrialisation and the continuity of the craft guilds were no contradicting developments, on the contrary. These more recent studies have criticised the initial literature on proto-industrialisation for neglecting two factors: first, the degree to which the rural population had already been economically active within the framework of the medieval economy on whose breakdown proto-industrialisation allegedly rested; and second, the level of economic control that proto-coordinated institutions, which had allegedly been annihilated by increasing rural industrial activity, did, in fact, retain over these new economic dynamics.

The first criticism is directed at the claim that peasants engaging in putting-out production did so in a desperate attempt to hold on to traditional ways of socially non-differentiated, family-based, pre-industrial production that was threatened by their growing poverty under rising capitalism. This perspective of 'anachronistically motivated innovation' (de Vries 2008, 99) has led much of the existing literature to focus on the supply-side of early industrialisation: 'Proto-industry endowed the Industrial Revolution with its workers, not its consumers' (de Vries 2008, 100). As opposed to this, and referring to examples from many European regions, the concept of the 18th century 'industrious revolution' presents proto-industrialisation as 'a form of labor intensification, a strategy of the industrious household' (de Vries 2008, 104) mainly motivated by the wish to accumulate the financial means necessary to accommodate rising levels of demand in early modern households. This view stresses continuities in production modes, thereby challenging

> 'the ahistorical assertion that social differentiation and wage labor in the countryside were novelties that spread with proto-industrial activity, thereby forcing a sudden and painful break with a traditional way of life. Wage labor, landless families, and multiple employments had been characteristic of most of western Europe for a much longer period, and in this context individual labor rather than collective labor of the family was the prevailing pattern' (de Vries 2008, 102).

The second criticism holds that the breakdown of medieval guild systems was, by no means, a necessary precondition for the rise of proto-industry. Liberal scholars have long lamented that rather than proto-coordination being abandoned altogether, reformed versions managed to keep a strong say over the increasing proto-industrial production (Ogilvie 1997). In this view, the strength or weakness of seigniorial and communal institutions governing the economy was not the decisive variable. What mattered, in fact, where the specific effects these institutions had on proto-industrial growth. In proto-liberal places like Britain, for instance, their weakness could open up opportunities for largely unrestricted economic growth during the early modern period, while in many eastern European regions like Prussia, Bohemia, Moravia, Silesia and also Russia, the strength of institutions of economic governance led to proto-industrial growth because it could reduce costs in quite a different manner: it coercively reduced labour costs by effectively forcing rural peasants into serfdom (Ogilvie 1997, 407).

Hence, proto-coordinated patterns of human capital provision seem to have continued to define the framework in which early industrialisation occurred, especially where craft guilds had been traditionally strong. Surely, the move to the countryside intensified all across Europe from the late 12th century onwards. In England, for instance, textiles production began to spread from eastern England to the west and north, to regions like the

West Riding, Lake District, Cornwall, Devon, Somerset, the Cotswolds, Wiltshire, the Kennet valley and all the way to Wales. Later, cotton-weaving industries moved from the cities to Lancashire, the area around Bolton and Manchester, Dorset, Cheshire and Derbyshire. Textile and luxury-goods manufacture also occurred in in the French countryside. The same counts for rural areas around the Flemish cities of Ghent, Bruges and Antwerp. Production also flourished around St Gallen, Lucerne and Zürich in Switzerland (Kellebenz 1974). The same has been shown for cloth making around Palermo, in rural Sicily (S. R. Epstein 1989). Similarly, the attempts of territorial rulers to centralise political powers discussed in the previous chapter brought local political economies under much greater pressure than before. The aim of authorities to enforce general jurisdiction collided with the medieval traditions of economic self-government (Brand 2002, 57 ff.). Further adding to this threat was the fact that the growing market size following from the creation of territorial states potentially decreased the demand for medieval levels of human capital formation via basic proto-coordination, as the dependence on exports declined. This effect becomes clear if we recall what Europe had looked like in pre-modern times. For instance, economic historians have recently been able to show in quantitative studies just how strong the hampering influence of the many borders between medieval principalities (and the related customs and taxes) had been on medieval trade (Börner and Severgnini 2011).

Nevertheless, the economic consequences of these dynamics for the urban guild economy seem to have depended on the political environment in which they took place. In regions where early modern state formation occurred under the auspices of strong central states, the relocation of production to the countryside seems to have coincided with and played a part in a further weakening of local political authority: in the absence of political decentralisation, centralised economic policy – sometimes, almost ironically, imposed through the comparably weaker cities – came to shape the rural countryside. Urban patterns of proto-coordination were therefore to a much lesser degree transferred on to the gradually industrialising countryside around them. As opposed to this, in decentralised regions, where local actors had a strong say over the process of state formation, economic activity in the countryside did not automatically lead to the demise of urban guild economies because craft guilds retained a strong voice in shaping the political and economic process, and community (*Gemeinde*) structures began to emerge or had already existed before in the countryside.

As the comparison below will highlight, this organisation of politics and the economy in small, local units was necessary for the political coalitions carrying coordinated arrangements to persist also under the conditions of proto-industrialisation. Subsidiarity lowered the cost of organising collective action due to lowered costs of – and increased individual returns from – cooperation (see Olson 1965), specifically by shaping homogenously skill-dependent production regimes. This had traditionally been the case in medieval cities in decentralised Europe (see above). However, as proto-industry began to take hold of the countryside around the urban centres, the result were early modern versions of the later *Gewerbelandschaften* (Pohl 1986; Kiesewetter 1989; Fremdling and Tilly 1998). As had previously been the case in medieval cities, proto-coordination was easier to achieve in these decentralised regions as it helped to shape homogenously skill-dependent production regimes. As a result, master-artisanal consensus in favour of coordinating with other actors such as the journeymen was more likely to occur in these places than in larger entities uniting divergent degrees of interest regarding basic forms of proto-coordination. The survival of basic forms of political decentralisation hence remained intimately linked to the issue of preserving basic forms of economic proto-coordination also in the early modern period.

Much like in the Middle Ages, it would, therefore, be a much too narrow approach to interpret the early modern survival of proto-coordination simply from the viewpoint of rent-seeking and state-implemented restrictions imposed on the economy. Recall instead that in and along the Lotharingian city belt, the long tradition of rural wage labour had brought about an equally long-standing awareness for the coordination problems occurring within these rural-urban modes of production, especially between putting-out workers in the countryside and merchants in the towns. This situation resulted in a remarkable degree of stability regarding economic actors' preferences for the preservation of co-specific assets. Herrigel (1996, 37), for instance, identifies a set of underlying coordination problems facing businesses across all German regions of decentralised production: under the putting-out system, urban merchants could neither effectively control the pace at which outworkers finished a product, nor could they, in order to overcome these problems, draw workers into emerging manufactures and factories because outworkers were no property-less labourers but peasants with strong claims to their own land. Apart from this supervision problem of decentralised production, their high skill-levels put workers into a strong position vis-à-vis the merchants – a pattern which resembled the balance of power between medieval urban master artisans and journeyman and which called for solutions to overcome the lack of regulation in central areas such as labour laws (Brand

1990, 113 ff.). The history of the guilds did not end with their formal abolition during the early modern period, because the motives that had once triggered their introduction were still in existence (Haupt 2002, 37). These motives were more than narrow considerations of market access.

5.2 The German lands: Integrating the countryside

There is good evidence that ever since the Reformation, the destabilising influence that the process of political densification had on traditional forms of guilded self-administration seems to have manifested itself in the form of growing conflict between merchants and artisans. We have already seen that some historians argue that during the guild struggles between the 14th and 16th centuries, territorial state authorities confronted the political rule of the craft guilds in coalition with merchant interest, trying to weaken the independence of the cities in order to diminish the say of the craft guilds (see ch. 2; also Soly 2008; case studies in Ehbrecht 1980). A good example of this pattern is provided by the trading venues and cities of the Hanseatic League. In the 16th century, the comparably weak influence of the craft guilds in these places diminished even further, as master artisans remained absent from meetings of the town councils. Rentiers and landowners gradually replaced them, as they possessed the means to compensate for the financial losses resulting from serving in public offices. In merchant-dominated cities like Basel, Strasbourg, Augsburg and Ulm, this development led to the concentration of political power in the hands of few influential patricians meeting regularly in taverns (*Stuben*) to prepare key decisions of the municipal council (Naujoks 1985, 7–9). When state authorities began to include commercial interests themselves, this even started to make the representation of merchants in organisations like the Hanseatic League unnecessary altogether (Moraw 1989, 655 ff.). Again, subsidiarity was a key obstacle to this project, and independent craftsmen jurisdiction therefore seems to have been a key target for attacks by centralisers in many places. Existing artisan courts like that of the Aachen wool weavers' guild of 1406, which had so far been chaired by two master artisans, came under the influence of merchants during the 18th century. In trading centres like Nuremberg and Regensburg, Hanseatic cities like Brunswick, Kiel, Bremen and Hamburg and archbishopric venues like Würzburg, deputations of the municipal councils even began to take over traditional judicial tasks of artisan courts (Reith, Grießinger, and Eggers 1992, 25 ff.). In 27 Upper German Imperial Cities including Augsburg, Memmingen and Schwäbisch Hall, emperor Charles V abolished the craft guilds altogether around 1550 (Naujoks 1985).

However, as already discussed for the case of the medieval merchant-artisan divide, the empirical picture seems to be not entirely clear regarding the consequences for the earliest forms of proto-coordination. With respect to modern corporatist arrangements, Peter Katzenstein (1985) has highlighted that while differences clearly exist between liberal and more solidaristic variants (pitting, for instance, 20th-century Switzerland and Austria against each other), both of these small states are still characterised by a high degree of coordination. Looking at the early modern period, work by historians suggests that the differentiation between merchant and artisan dominance might best be approached from a roughly similiar angle on proto-coordinated arrangements. For instance, even in a merchant-dominated trading city such as Hanseatic Hamburg, republican commercial interests went along with a prevailing sense of compromise, for which the politically self-administered, subsidiarity-based community structures (*Gemeinde*) seem to have been crucial. Power struggles with the artisanate seem to have resembled specific distributive rather than fundamental conflicts.

> By the second half of the eighteenth century, utilitarian enlightened impulses combined with traditional paternal patriotism to nurture a range of public service projects that sought to improve both the fortunes of the city and the life of its inhabitants. The focus on the common good in civic republicanism and the emphasis on cumulative commercial prosperity highlighted the compatibility of public and private interests in Hamburg: the good of the individual was congruent with the good of the many. This sacred union between unfettered commerce and an independent republic, acclaimed as morally and materially uplifting by benefitting everyone in the community, emerged as the master narrative of Hamburg's eighteenth century political culture. As evident in the toast, salus patriae, floraet commercium, this union between commerce and republicanism, described by one observer as "merchant communalism," was manifest in the city's public image and ingrained in civic culture (Aalestad 2005, 33 f.).

Whether merchants really sided with state authorities against the craft guilds, or whether the actual historical picture was more nuanced – what the work of historians does suggest is that with the survival ofdecentralisation, the political preconditions for the organisation of locally proto-coordinated structures under subsidiarity seem to have survived. Where polities remained small, the organisation of basic forms of proto-coordination seems to have remained a distinct possibility even during times of early industrialisation. As a result, across the Holy Roman Empire, the outright abolition of the guilds remained impossible during the early modern period, despite respective initiatives coming from higher political levels. For instance, after regional legislative initiatives by the Bavarian, Franconian and Swabian Imperial Circles to reduce the craft guilds' autonomy over jurisdiction had been met with successful resistance by interregional artisan associations, regional authorities called for respective imperial regulation (*Reichspolizeiordnungen*) during the 16th century. However, these remained only partly successful at best. In Württemberg – part of the Swabian Circle – for instance, dyers in the cotton industries managed to hold on to their consensual procedures of internal jurisdiction: in 1706, the dyers' guild charter still ruled that all master artisans had a say over craft jurisdiction. Even in places where state authorities did indeed manage to change respective regulations, their informal application remained a very effective tool for ensuring compliance among craftsmen: so-called dis-reputation (*Schimpfung*), the economic exclusion of artisans non-compliant with the informal guild codes, still effectively meant that it was impossible for artisans to engage in any aspect of economic and social life not covered by the guilds' regulations, almost regardless of what state courts tended to decide (Brand 2002, 61 ff.).

The growing reach of the central state was indeed identified as a problematic development from the perspective of local economic actors dependent on long-standing patterns of proto-coordination within the cities. First of all, the changing economic and societal backdrop must have become highly visible to local producers from the fact that since the onset of the 18th century, journeymen's strikes, which had previously served as a respected means of proto-coordinated conflict resolution, were now often terminated by the use of military force and followed by penal jurisdiction, instead of self-administered agreement among urban economic actors (Sieg'l 1993, 158). Master artisans, on the one hand, supported these new rules of the economic game: governmental attacks on journeymen's organisational independence were often in line with masters' political lobbying against the excesses of journeymen's activities, which as masters argued, obstructed the move to industrialised modes of large-scale production. Especially those masters who had moved to large-scale proto-industrial production took an active stance, as is shown by the example of the late-18th century Berlin hatters mainly producing in large quantities for the Prussian army. Apart from the very fact of their organisation in associations, journeymen caused masters' outrage by their essentially pre-industrial understanding of time, which proved a major obstacle on the move to industrialised production aspired by the masters.

> This new target value of a regulated, predictable working process, based on a non-specific, linear understanding of time, replacing the qualitative-rhythmical understanding of time of the pre-industrial period, resulted from the structural change in the hatters business, converting from small-trade vendible work [*Arbeit zum feilen*

> *Kauf*] to the new requirements of large-industrial mass production in short-term timing cycles (Grießinger 1981, 260[Translation: CN]).

Despite this confrontation, however, master artisans were convinced that it was neither the journeymen nor the masters themselves who were ultimately responsible for the worsening of proto-industrial relations. Instead, they quite clearly saw economic actors as reacting to the problems caused by the unwelcome inroads state bureaucracy had made into the formerly self-administered realm of organising master-journeymen relations. In particular, they considered the growing hostility in relations with journeymen as a clear result of the ineffectiveness of the new state jurisdiction that had come to replace the traditional privilege of autonomous craft jurisdiction. It is therefore not surprising that in 1806, for instance, Berlin master carpenters filed a motion with Prussian state authorities to return to the traditional legal model of self-administration, but were turned down by the government. After all, the Prussian state seemed unwilling to compromise on its project of overcoming particularism by centralising authority over the economic realm (Grießinger 1981, 255 ff.). The key point here is, once more, that on the local level, preferences for coordinating skill-dependent sectors do principally seem to have remained present. However, in early centralised, East-Elbian Prussia, the lack of complementary levels of political self-administration made this impossible.

The picture seems to have been different in West-Elbian, decentralised Germany. We have already seen how in the archbishopric of Cologne, the early modern period saw an intensification of the representation of local political actors. However, even outside Cologne's possessions in Westphalia, for instance in the staunchly Catholic prince-bishopric of Münster, attempts of centralisation were at best partly successful during the early modern era. This clearly benefitted the role of local guilds. While within the actual city of Münster, the bishops had managed to restrict the formerly strong role of locally self-administrated bodies such as the guilds in 1661 (Ehbrecht 1994), in many towns in the surrounding prince bishopric, guilds retained an important say over municipal politics. Examples can be found in the histories of places such as Bocholt, Warendorf, Vreden and Stadtlohn. In the Westphalian city of Arnsberg, the municipal code ruled that the leaders of the four city guilds (*Richtleute*) had to be involved in major decisions of the municipal council. They were also empowered to control the major's finances. It was only at the turn of the 19th century that municipal suffrage was extended to the city's entire *Bürgerschaft*. In Dorsten in the Vest Recklinghausen, every citizen belonged to one of the seven medieval corporations and had the right to elect their leaders (*Gildemeister*), who, in turn, appointed the municipal council. This practice remained intact well beyond the medieval period, up until 1781. However, also in the Free Imperial City of Dortmund in Westphalia, the guilds dominated virtually every institution of city government. In Siegen in the Cologne lands, the leader of the powerful local shoe-smith association represented the organisation's interests in the city's magistrate. Equally strong municipal business representation could be found in the Westphalian city of Höxter, which belonged to the jurisdiction of the Imperial Abbey of Corvey, and in the bishopric of Osnabrück (Deter 1990, 239 ff.).

The problems with overcoming the guilds' jurisdiction in practice continued until the end of the Holy Roman Empire. It is highly telling that the many regulations which claimed to finally terminate the guilds' rule over their local economies were regularly followed by other, similar decrees – a pattern hinting at continuing problems for state authorities to make effective inroads into guilds' local self-administration. The initial prohibition of the guilds in Cologne and the entire Reich of 1232 had to be renewed by Emperor Rudolf von Habsburg in 1278 and was finally dropped in 1290 (Brand 2002, 57). Almost five centuries later, in 1731, the Reich passed an official Imperial Guild Statute (*Reichszunftordnung*), which ruled that in future, only those artisanal laws were valid that had been introduced or sanctioned by territorial authorities. Conflicts between master artisans and journeymen were no longer to be resolved in autonomous artisanal courts but under the auspices of the state (Brand 2002, 67 ff.). However, especially the journeymen remained fierce defenders of the tradition of self-administration, and, like its medieval predecessors, the allegedly ultimate Imperial Guild Statute of 1731 was, in fact, followed by further decrees ruling out practices that had officially been forbidden before (Brand 2002, 91 ff.).

Despite the onslaught on traditionally decentralised modes of representation and modes of conflict resolution, therefore, proto-coordinated modes of bargaining between master artisans and journeymen did manage to survive in many places during this period. We have already seen how master artisans considered the gradual worsening of relations with their journeymen as the negative result of the unwelcome expansion of state authority at the expense of economic self-administration. Even within this more complicated context, however, it has been shown that the strike movements of German journeymen still possessed high degrees of rationality and organisational capacity. Walkouts, some of them even organised across the borders of specific crafts, remained present in the German economy of the 18th century. Moreover, even where state authorities and merchant interest had successfully made inroads into the domains of formerly independent economic auto-jurisdiction, this did not necessarily lead to the complete abolition of consensual forms of conflict resolution. In other words: even state and commerce-dominated courts often continued to display respect for craftsmen's interests. Members of a deputation of the Augsburg municipal council provided a characteristic example. Despite this committee designed to replace independent craft courts had already come to a decision on a specific contested case in the 18th century, its members decided to accept the ruling of artisan courts on the same matter instead of enforcing state authority over the economy. Deputies were well aware that a lack of respect for craftsmen's traditions could lead to severe tensions in the local political economy (Reith, Grießinger, and Eggers 1992, 5 ff., 25 ff.),

A comparable pattern can be watched with regard to proto-industrialisation in the countryside, in small towns outside the traditional hubs of the medieval guild economy. While it seems to be true that urban merchants initially fled the traditional craft guild frameworks of Rhenish city economies in search of unregulated opportunity in the countryside, their sustained skill dependence soon came back into play. Developments in the early modern Rhenish textile industries, in the Lower Rhenish Niers valley and the rural town of Krefeld, are a good example. Under the rule of the House of Orange since the 17th century, the region benefitted from Dutch religious tolerance, hence attracting highly skilled Mennonite workers expelled elsewhere, among them the von der Leyen family from Radevormwald in the Bergisches Land, who, over the following century should turn Krefeld into a world-leading centre of putting-out textiles production (Kisch 1989, 54 ff.)

The principality of Moers joined Prussia in 1702. However, as we have already seen, the Prussians struggled to enforce centralised political control over their new possessions, as subsidiar arrangements prevailed. Given the still decentralised political setting in the Rhineland, rulers in the distant centre Berlin neither managed to fully impose their economic policy choices on the emerging rural production region. Crucially, the Prussian version of cameralism – captured by a landed aristocracy largely hostile to economic progress – was at best indirectly imposed on the new western possessions. In 18th century Germany, mercantilism occurred in its specific variant of cameralism, chiefly concerned with the raising of princely revenues. In this economic school of thought, the primary goal of economic policy was to increase a territory's productivity, for instance by populating rural regions, attracting foreign workers, introducing new businesses and increasing the efficiency of existing ones (Brand 1990, 105 ff.; Kiesewetter 1989, 28). In essence, the economy came to serve the political goals of individual rulers and their states, which in composite entities such as Prussia often tended to run contrary to long-standing traditions of subsidiarity and local self-government in the new western possessions.

As a result, Frederick the Great soon realised that the east-Elbian practice of state-directed industrial policy was not suitable for his Rhenish possessions with their long traditions of small peasant holdings, money rents and small scale political entities (see also Barkhausen 1974, 214 ff.; Kermann 1972, 607; Kiesewetter 1989, 28). For instance, Prussian governmental policies often led to completely unplanned results. In the decentralised Rhineland, the Prussian aim of raising agricultural productivity led to an increase in the surplus of workers in rural areas, who, in turn, started to search for employment opportunities in the proto-industrial putting-out system of peasant home production (Brand 1990, 105 ff.). Throughout wider decentralised Europe, governmental experiments with mercantilist policies often did not yield the desired outcome, from the calico-printing industries in Eastern Europe to hosiery production in Austria (Ogilvie 1996b, 30–33).

As a result, in places characterised by small and medium-sized businesses, like in Württemberg, political rulers saw no choice but to support the dominant *Mittelstand* structure of the economy, for instance by the introduction of favourable tariffs (Herrigel 1996, 38). Similarly, in Rhenish Prussia in 1763, Frederick the Great stuck to existing proto-industrial structures and, for instance, granted the von der Leyens with a regional monopoly. At the same time, however, he prevented the efficient western producers from exporting their goods to the Prussian heartlands of the Mark Brandenburg. In Krefeld, meanwhile, these barriers only served to increase trade with the economically thriving regions of Europe and, indeed, the world. The demand for expansive fashions during the rococo age provided a favourable economic environment. In 1768, four fifths of the city's output were exported, mainly to England, Holland, Sweden, Denmark and the German lands, but also to the dynamic emerging markets of the North American colonies (Kisch 1989, 67 ff.).

How did local, proto-industrial producers utilise their relative autonomy from central state-directed economic policy-making? A central argument when lobbying Frederick for their regional monopoly was the necessity to preserve their businesses' well-skilled workforce. This highlights an important point: although merchants had often started to engage in the rural putting-out economy in order to escape the vocational regulations of the urban guild system, the logic of skills did, in a slightly different shape, quickly re-appear also in the putting-out economy (Kisch 1989, 69 f.). The importance of skills makes it highly conceivable that while the countryside was nominally free of the guild system, the coordination problems associated with organising the skill-dependent production of high-quality goods under the putting-out system soon led to the emergence of patterns not unlike the medieval urban economy.

In the absence of urban guilds in the countryside, a crucial factor in this regard were the proto-coordinated, company-wide welfare schemes run in firms like the von der Leyens'. Welfare funds were especially used in order to hold on to the workforce during recessions. Full-employment polices for the putting-out workers and help for master weavers in the process of acquiring property were also provided. Given the regional labour shortage caused by the rampant success of the Krefeld silk industries, the goal was to bind to the company those workers, 'whose training or recruitment had been achieved at great expense' (Kisch 1989, 77). Only well-skilled workers came to benefit from relatively high wages, stable employment and welfare services. Consequently, the bargaining position of these masters and journeymen vis-à-vis the merchants remained strong. Hence, although deregulation might have been a goal behind the emergence of early putting-out systems, company-wide social policies and the interest in labour-market monopolies in traditionally decentralised political entities speak to a rather different reality. Eager to capitalise on the new possibilities of the putting-out system, local merchants emerge as rational and pragmatic businessmen who followed their goal of individual profit maximisation. If this meant preserving their investments into co-specific assets, they were as eager to regulate economic affairs according to their preferences, as had been the urban guilds in medieval days.

> These welfare schemes were not acts of indiscriminate generosity, but part of a deliberate policy to hold together the core of a skilled workforce indispensable for high quality production (Kisch 1989, 78).

The case of Krefeld and the Niers valley does, hence, not only nicely illustrate the effects proto-industrialisation had on the early modern economy, such as increasing demand for new products, challenging urban guild systems and the multi-faceted consequences of mercantilist policies, including governmental attempts to support skilled immigration and increasing exports; it also hints at the remarkable overall stability of businesses' preference for the protection of co-specific assets on the local level. After all, rural wage labour, which was responsible for much of the economic dynamics of increasing supply and demand, had a much longer history than proto-industrial growth. This 'substantial continuity' (de Vries 2008, 103) also explains why, instead of entirely overthrowing proto-coordination, the new economic developments rather led to a process of adapting traditional structures to the changing environment. Much like the first journeymen associations in the medieval urban guild economy, the activities of the putting-out merchants of the early modern period were less directed at spearheading a revolution. Instead, what these new economic actors really aspired was the recognition of their activities by the existing system in the sense that it would be reformed to accommodate the specific needs of skills-protection under the new putting-out system.

Similar developments occurred in many places within the decentralised core during that time, for instance in the textile production of Elberfeld and Barmen (Kisch 1989, chap. 3) and Lennep in the Bergisches Land as well as Monschau in the Rhineland (Brand 1990, chap. 5). In Flanders, around the city of Ghent, the heartland of European textiles production, vertically integrated groups slowly began to emerge out of the craft-guild regulated, proto-coordinated putting-out networks around 1800. Just like in the case of the von der Leyens' business in Krefeld, however, this process was defined by the on-going importance of decentralised, highly-skilled work at all stages of the production process. For instance, the mechanics of new spinning mills and the weaving factories with their hundreds of skilled workers further required proto-coordination, while putting-out artisans continued to play a part in the production process. Even the organisation of the cotton-spinning process remained the same: each mule-jenny essentially was a small and autonomous conglomerate of its own, with the spinner paying his other workers, as well as for the maintenance of his machine. He also continued to be paid by piece and not by the hour. Hence, the new factories were, in fact, agglomerations of small conglomerates (Dhont 1969, 44 ff.). These developments at Europe's proto-industrialised core also challenge the standard explanation for the rise of big industrial conglomerates, linking these solely to the emergence of unskilled mass production – a factor that the chapters below will soon speak to in greater detail.

Another interesting example from the *Mittelstand* economy is the case of the Solingen knife grinders. These light-iron craftsmen were no outworkers: they were heavily dependent on the location of their workplace. Since the waterfalls of the mountainous Bergisches Land provided them with the watercraft they required for running their grinding machines, the grinders rented a workplace within a factory building located in a favourable location and shared it with other craftsmen. Despite sharing their workplace with ten to just about 100 colleagues, the grinders remained independent craftsmen. In the mid-19th century, 189 of such workplaces existed, and because of the otherwise independent craftsmen sharing one locality, their example sheds a light on how basic welfare schemes grew out of proto-coordinated rural producer networks. For instance, the maintenance of the water distributing ponds and the watermills driving the grinding machines was organised jointly. Similarly, a basic health insurance scheme did already exist, the so-called *Umlage*: in case of one grinder falling ill, his colleagues at the shared workplace paid between five and 25 pfennigs per week into a joint fund. Out of this, the sick craftsman could receive up to six marks per week for the duration of up to one year (Boch 1985, 35 ff.).

The example of the highly skilled knife production in Solingen nicely illustrates how craftsmen relied on a local, self-administered network in order to preserve their independence. The crucial point in this context is that independent production was only possible if the public goods required in the production process were available at reasonable cost. The solution was to turn to proto-coordination among otherwise largely independent producers – i.e. not between workers and employers but between independent craftsmen. A craftsman could not easily be replaced, but his contribution to the joint project of maintaining the shared workplace, its watermills and ponds was required. This provided a strong incentive to support him until he was able to work again. After all, the incentives and the preferences for proto-coordination remained stable even in times of a changing economic environment.

Overall, these different forms of proto-coordinated continuity from the medieval craft guild economy to beginning industrialisation helped to preserve the skills required for high-quality production. In the decentralised core areas of proto-coordination, the growth of beginning industrial production during the early modern period does indeed seem to have occurred in an institutional framework that, as opposed to the east-Elbian areas, was much less endangered of falling prey to political actors uninterested in or even opposed to the growth of the local economy, such as the landed aristocracy. Instead, among local actors, century-old preferences for proto-coordinated solutions slowly but steadily expanded to the countryside.

The early modern period ended with the French Revolution, an event that also had crucial consequences for decentralised Germany, in the form of Napoleonic occupation, but also political reform often welcomed as liberation. Again, this setup provides for an interesting contrast that highlights the perseverance of locally decentralised and proto-coordinated structures. This comparison will form part of the specific subchapter below on French developments, thus highlighting the different consequences of either presence or lack of political subsidiarity on the experience of proto-industrialisation. For now, however, the picture emerging from the qualifications so far discussed for the German case is one in which subsidiarity becomes an important variable not only for explaining variations in state-formation, but, in consequence, also regarding the different experiences of proto-industrialisation during the early modern period. Where local actors remained in charge of their direct economic environments, the organisation of consensus and basic forms of coordinated human-capital provision seems to have remained possible – in line with older traditions in the cities, and in new and updated forms in the proto-industrialising countryside.

As we have seen before, both the western and the eastern end of the Rokkanian continuum had one feature in common: the emergence of strong central states. In the middle, the German lands were not alone with their quite alternative experience of that the mutual re-enforcement of political decentralisation and the influence of basic institutions of proto-coordination such as the craft guilds did continue also under changing economic conditions. It is this wider comparative context across the continent that the following subsection will again turn to: first in the Dutch experience, which yielded a rather comparable outcome, and then for the very much contrasting case of France, the power that should soon become an occupying force in decentralised Europe.

5.3 The Low Countries: Urban coordination prevails

Just like in the German case, politico-economic studies of trading centres such as the Upper Italian city republics Florence, Milan, Padua, Turin and Venice, and their northern counterparts in the Low Countries, such as Amsterdam, Utrecht and Leiden, have so far mostly focused on the question of craft versus merchant dominance (Soly 2008, 48–52, 63–65). What both locations had in common from this perspective was their geographical position within the decentralised zone: the Netherlands and Upper Italy marked the northern and southern, seaward facing ends of the city belt. This made both places primary trading venues for the products manufactured in their hinterlands (see Kellebenz 1974, for the Dutch case) and, despite the decentralised political structure, put merchants in an unusually strong position in both republics.

Yet even if this assessment is true, it did not mean that proto-coordination did not emerge at all in these palaces. In fact, the pattern of Hanseatic Hamburg seems to be reflected in the Dutch commercial centres, which is hardly surprising given that these northern cities emerged comparatively late and along the same trading routes towards North-eastern Europe. However, conventional wisdom holds that the Seven United Provinces achieved strong technological innovations characteristic of their Golden Age (ca. 1580-1680) due to plain economic liberalism and weak craft guilds. In this view, after the Dutch revolt against Spanish suppression around the turn of the 17th century, merchant guilds prevailed in the northern provinces of the Low Countries while the hinterlands of Brabant and Flanders remained craft-dominated. This alleged absence of craft guilds and the dominance of international merchant capital and whole-trading companies in the North has led some scholars to present the early modern Seven United Provinces as an economic *bon élève*, oriented towards the liberalism of 'the north Atlantic seaboard' (Ogilvie 2010, 321) rather than backward continental proto-coordination. However, the problem with this view is that,

> most historians seem to tacitly assume that the whole-traders advocated not only free long-distance trade but also all-encompassing economic liberty domestically. There is good reason to believe that they did not do that. This was because they did not directly control production and local distribution (and neither did they wish to do so). Their main interest in these areas was mostly to set the level of prices. They had, undoubtedly, an interest in the maintenance of a generally appropriate level of income, for the simple reason that the majority of them, at the same time, governed the cities they lived in. Common welfare of the cities was one of their main concerns, which amalgamated directly with their own political future and, thus, indirectly with their international interests as well (S. Bos, Lourens, and Lucassen 2002, 149).

As these qualifications indicate, despite having been merchant-dominated, the decentralised political economy of the Low Countries was by no means free of corporations or craft guilds. Artisans from Brabant, for instance, fled to the Netherlands after the sacking of Antwerp in 1585, causing an influx of highly skilled workers (S. R. Epstein 1998, 702). It was this group of economic actors that tended to organise. This, in turn, makes it hardly surprising that well over one fifth of the 17th century population of Amsterdam, the hub of the period's world economy, were members of guilds. Moreover, the majority of these institutions arose precisely during the Dutch boom years between 1610 and 1670. While guilds were weak in the textiles sector, they dominated the sectors of Dutch technological leadership, shipbuilding and windmill construction. In Amsterdam, they were even involved in the administration of the innovative systems of municipal poor relief (de Vries and van der Woude 1997, 654 ff.). In fact, the economic success of the early modern Low Countries might be seen as a consequence of the high numbers of guilds rather than as a product of their absence (S. R. Epstein 1998, 700 f.).

Dutch merchants seem to have dealt in a highly pragmatic way with the preference for co-specific assets in the craft economy that produced their export goods. In clear opposition to centralised monarchies like France and England, the Dutch approach was relatively free of any ideological programme – be it traditionalism or liberalism – other than the logic of capital accumulation. The specific relation between the state and the economy was central in this context:

> The Republic's economic interests spread far beyond the boundaries of the state. Her chief aim had to be maintaining access to the supplies of goods and labor and the markets for her specialized output on which her diversified economy depended (de Vries and van der Woude 1997, 698).

This situation also defined the merchant republic's stance towards journeymen associations. On the one hand, city councils and master artisans opposed the formation of standing organisations comparable to those in the German lands, as they feared social unrest. Yet unlike in France, this did not lead Dutch journeymen to organise illegally. The reason was that while most city governments opposed associations, they still supported informal journeymen organisations setting up mutual self-help funds that provided their members with basic levels of social security. Moreover, they helped to decrease masters' and the cities' public welfare expenses and protected co-specific assets as they allowed even small craft businesses to hold on to their well-skilled workforce in case of sickness. Small craft masters were, hence, especially supportive while in bigger, proto-industrial sectors, weavers, printers, builders and hatters organised based on mutual solidarity (S. Bos, Lourens, and Lucassen 2002).

Despite its merchant dominance, the early modern Dutch economy, thus, possessed proto-coordinated institutions in the form of artisan craft guilds, municipal welfare under their co-administration, as well as journeymen's mutual insurance schemes. One reason for this particular institutional setup might be found in the rather straightforward fact that urban growth in the Netherlands occurred rapidly but late, which meant that on the north-western rim of the decentralised belt, there were less long-standing institutional traditions available to turn to compared to places like in the Rhenish-Flemish core such as Cologne (see Soly 2008, 65). In any case, merchants' and state authorities' interest in regulating manufacturing processes led to a situation where proto-coordinated institutions were present, and the famously decentralised political setup in the early modern Low Countries provided protection for those local interests.

Even in the absence of a more formal organisation, this system put Dutch journeymen in a relatively strong position vis-à-vis both their fellows and their masters. For instance, they often managed to force masters to employ only those journeymen who paid contributions to their funds and in some cities, among them Amsterdam, compulsory insurance was introduced. This was true although Dutch journeymen, as opposed to their German counterparts, did not travel (*Wandern*) and were, thus, less able to leave unpopular employers, the most obvious reason being the short distances between cities, but also the role of incentives to stick to the local, non-guild based insurance funds they had invested in. However, there was another logic at work: unlike in proto-liberal England with its structural unemployment, the permanent demand for highly skilled workers in the early modern Dutch economy made it unnecessary for journeymen to follow employment opportunities to other cities (on craft guilds in Amsterdam see Lourens and Lucassen 1994).

Probably the best evidence for the mutually shared interest in this proto-coordinated system is the fact that the formal abolition of guilds and journeymen's insurance funds in the Low Countries only occurred in 1795, in the course of the Batavian Revolution after the French invasion, which aimed at the creation of a centralised political entity. Dutch opposition was fierce and was led jointly by patricians and guilds for 20 years. As opposed to Amsterdam, in places like Leiden, insurance funds had traditionally existed completely outside the guild system while in Utrecht, they had slowly become independent – with the consequence that in both cities, these proto-coordinated institutions survived the end of the guilds without changes (S. Bos, Lourens, and Lucassen 2002).

After all, the Dutch Republic was, indeed, the world's 'First Modern Economy' (de Vries and van der Woude 1997), and it was precisely this modernity – which also affected the specific types of proto-coordinated institutions developing there – that prompted the Low Countries to turn pragmatically proto-coordinated rather than liberal. The corresponding institutions might have been younger and less engrained than in the Rhenish-Flemish core of decentralised Europe – which points back, for instance, to our discussion of medieval Catalonia (see above). However, in many aspects of political and economic life, the early modern Low Countries did seem to reflect the situation in the mixed merchant-craft political economies of the rest of the Holy Roman Empire to which they had formally belonged until 1648.

5.4 France: The national regulation of economic interests

The correlation of political decentralisation and continued economic influence of craft guilds becomes clear if we compare developments at the geographical core of Western Europe to events in more centralised regions. Recent research by economic historians has begun to elaborate on the link between political centralisation and declining guild power on the one hand and the correlation of subsidiarity and guild influence, on the other. Scholars like Maarten Prak formulate their findings very carefully, but they do indeed suggest that this connection holds. Prak sums up his findings:

> In France, as well as in England, the guilds´ political fragility was not so much a result of their position in local politics, which could be remarkably strong, but due to the overall weakness of urban autonomy vis-à-vis the Crown. In the Low Countries, where central government was in a much weaker position, guilds could fully exploit their political positions, where these existed (Prak 2006, 12).

Against this comparative backdrop, the early modern decline of the guilds in early centralisers such as England and France is a political story rather than a question of alleged lack of economic efficiency, hostility to innovation, or failed attempts of rent seeking. According to this view, central government interference with the French guild economy, for instance, can be traced back all the way to the 16th century. The gradual loss of sovereignty on behalf of the cities and the estates was mirrored by the government passing legislation to force the guilds into a nation-wide, unitary organisational framework since 1581, and throughout the 17th century, until Turgot eventually abolished the French guilds in 1776. Their dependence on the central state became visible in the provision that the guilds were actually allowed to continue their existence after that date, but only in return for considerable monetary contributions to the central state (Prak 2006, 14). In this sense, the guilds became a key tool for *dirgisme*, the French economic policy doctrine intimately linked with the work of Louis XIV's minister Jean-Baptise Colbert, which holds that 'national economic strength is measured by productive capacity and that productive capacity can be increased by state aid (Clough 1939, 324). This overall take is in line with historical analyses of individual cases such as the textiles centre of Lyon, where municipalities – and later: the French state – played the crucial role in providing economic regulation. This also led to merchant dominance, which increased precisely during the early modern period of central state formation (Pérez 2008).

In essence, if basic patterns of coordination between the interests of master artisans, journeymen and merchants existed in these early centralising places, for instance through the labour arbitrary courts of Lyon, these institutions still mostly reflected merchant preferences, which in itself might not be enough to discount them as indicative of proto-coordination. However, the crucial point of difference with respective institutions in decentralised regions is that bodies such as the Lyon arbitrary courts seem to have been highly dependent on the support of the French central government in Paris. The government actively pursued the bureaucratic organisation of economic actors in what were essentially merchant and state-controlled institutions. Paris hence provided a tight framework in which economic actors were allowed to engage.

Probably the most prominent example of these developments is the 1806 introduction of a labour arbitration board (*conseils des prud'hommes*) in Lyon, following protests from the local silk-producers. Although French textile production had, thus, not been organised in a proto-coordinated manner, the abolition of the French guilds during the revolution in 1791 had caused severe problems in Lyon (Minard 2002). In their absence, disputes among economic producers had to be solved by majors or justices of the peace, or by police in larger cities. However, the latters' lack of knowledge and experience quickly began to spark discontent among economic actors and the economic disturbances in the years after the revolution led to calls for the reconstitution of the guilds (Cotterau 1997, 123 ff.). In 1809, therefore, the boards were established per decree in all of France. These new councils quickly came to play an important role in the wider regulation of economic activity – a state-provided framework overarching the now voluntary guilds, as well as the emerging employers' associations and chambers (Kessler 2010, 701 f.).

The differences with decentralised Europe can be highlighted very well in places such as the Rhineland, where French occupation brought political control from Paris and even outright incorporation into the French state as a consequence of the Napoleonic Wars. Specifically, the radical liberalism initially advocated by the French revolutionaries posed a challenge to the traditional Rhenish models of proto-coordination in this context. However, it did ultimately not manage to unsettle local traditions, which were based on the clear preference to hold on to the traditional modes of proto-coordination on which local businesses depended.

While in places like the Electorate of Cologne, proto-coordinated institutions had been the very core upon which the long tradition of including economic actors into policy making had traditionally rested, the French revolutionaries saw them as an impediment to their plans, mainly because they did not start out from a key revolutionary principle: the recognition of individual liberty. Instead, they were perceived of as proto-corporatist in their nature. After French forces had arrived on the German left bank of the Rhine in 1794 and incorporated the Rhineland into the French state, hence, the government in 1798 introduced the French law of 1791 abolishing the urban guild systems (Kisch 1989, 311, n. 77). The last remains of the feudal order were removed by French edicts of revolutionary reform: master-servant relations – though weak already in the Rhineland – were replaced by money rents, land sales and inheritance rights unrestricted, land taxes became mandatory and monastic lands were broken up and sold at reasonable prices (Kisch 1989, 191). French authorities, in accordance with the economic principles of the 1789 revolution, introduced free enterprise.

French *laissez faire*, especially the termination of the guild system, is often portrayed as the beginning of the Rhenish *Mittelstand* economy, and it remains undoubted that these economic policies did, indeed, have an important enabling influence on the regional economy. However, two important qualifications should be applied. First, the degree to which Rhenish proto-industrialisation had already prepared the ground for the subsequent economic expansion (Kisch 1989, 192). Second, the actual degree of French liberalisation varied over time. As a closer perspective on the Rhenish experience, but also on domestic French developments shows, the initial phase of revolutionary free-market idealism lasted only for a rather short period of time. Since the idealist-political project of liberalisation did not take into account economic interests on the ground, it added to the political and economic turmoil in the aftermath of the French revolution. Confronted with dismal outcomes, it was the Napoleonic focus on the preservation of power, which, at the beginning of the 19th century, led the administration to take a more pragmatic stance towards economic policy-making. The consequence was that in many areas, the initial free-market idealism of the revolution was, if not fully reverted, at least amended with institutions able to overcome the coordination problems of a liberalised economy (Fitzsimmons 2010, chap. 1–3).

In the Bergisches Land, free enterprise was abolished again in 1808. The French-controlled Kingdom of Westphalia on the right bank of the Rhine followed in 1809 (Kiesewetter 1989, 53). Instead of encompassing policies of liberal *laissez-faire*, therefore, what French occupation really brought to the left bank of the Rhine was a huge increase in accessible markets and, in fact, a tightening of the relations between economic self-administration and the state. Bonaparte's approach soon came much closer to resembling the local pragmatic liberalism, which had previously been dominant among the merchants of the decentralised production systems in the Dutch and west German lands. In consequence, French rule was often perceived much less as an occupation than in other parts of Germany, precisely because the authorities, apart from opening up new markets, soon became more sensitive to the economic demands of proto-coordinated economic actors (Engelbrecht 1999, 28).

Incorporated into France, the silk industries in places like the Lower Rhenish Niers valley around Krefeld, for instance, were only confronted with the absence of proto-coordinated institutions such as arbitration boards between 1792 and 1811, after which these bodies were re-established in the French-controlled German lands as well. Chambers of industry had already been re-introduced by 1803, a commercial code implemented in 1808 and when the Krefeld chamber of commerce had been established in 1809, local businesses promptly made use of it in lobbying French authorities to preserve the traditional institutions of local industry (Kisch 1989, 192 f.). The lasting success of French political and legal innovation – such as the introduction of the *Code Civil*, which remained intact in the Rhineland until 1900 – has to be seen as a consequence of its openness for local traditions and practices in all those areas that were not in the immediate focus of Napoleonic policies (Rowe 2003, 8 f.). After a short time, hence, the institutions that guarded the investments of craftsmen in co-specific assets were back in the Rhenish economy.

This pattern became especially obvious in left-Rhenish cities such as Aachen and Cologne, where the local craft-guild structures of medieval times had been especially strong prior to French occupation. After the initial phase of revolutionary free-market ideology had ended, French state authorities introduced chambers of commerce designed to play a purely consultative role to the government. Public servants administered them. In practice, however, proto-coordinated businesses were unwilling to settle for this compromise. Instead, the tradition of using local bodies for purposes of economic self-regulation – not government counselling – prevailed. As Wolfram Fischer has analysed, Cologne businessmen combined the demand to protect their traditional privileges with the modern self-confidence of a successful merchant class: their general embrace of free trade did not rule out calls for regulation and restrictions as soon as their own local privileges were at stake. Hence, the consultative chambers initially envisaged by French authorities did, in reality, never exist in proto-coordinated Germany (W. Fischer 1964, 18). Even within the French motherland – in those areas bordering decentralised Europe – comparable developments occurred in regions with similar business preferences such as Lille (Hirsch 1989, 1287).

The antagonism between this pragmatically limited liberalism of local businesses, which the French government simply had to accept, and the initial free-market ideology of the 1789 revolution could not have been more obvious. The proto-coordinated organisation of high-quality production hence remained intact well beyond the Napoleonic period and came to shape the framework in which the industrialisation process of the 19th century should soon start to take place.

5.5 SUMMARY

Indicator	**German lands**	**Low Countries**	**France**
Dominant direction of state formation, circa 1648	Subsidiarity	Subsidiarity	Centralisation
Role of cities and local actors	Strong	Strong	Weak
Dominant type of urban guild	Merchant/artisan-contested	Merchant	Merchant/artisan-contested
Organisation of proto-industry	Proto-coordinated	Proto-coordinated	Non-coordinated

Table 7: *Subsidiarity and the early modern coordination of proto-industry*

This chapter has shown how roughly along the Rhine, the emergence of proto-industrialisation in the cities and the countryside of the early modern era occurred against the backdrop of political entities organised around the principle of decentralisation under subsidiarity. Consequently, higher degrees of effective self-administration were preserved. In the resulting small, economically more homogenous sub-polities, the organisation of collective action in bodies such as the guilds was easier to achieve – likely regardless of merchant and artisan dominance. This enabled local actors to maintain traditional forms of proto-coordination or to develop new variants that allowed for the coordinated provision of human capital formation also under early industrialisation. An opposite dynamic seems to have been at play in early-centralised Europe.

PART III: MODERN TRAJECTORIES

6 Politics: Forerunners and latecomers among Europe's nation states (1806-1880)

The previous two sections have traced the historical co-development of political decentralisation and early forms of proto-coordination at the geographical heart of Western Europe during the Middle Ages and the early modern period. We have seen how guild structures in the cities survived during the Middle Ages; even the expansion of early forms of mechanised production in the countryside in many cases seems to have developed under proto-coordinated insititutions of human-capital provision. This stable bias in favour of coordinated human-capital provision seems to have occurred primarily in those places along the wider Rhine where political centres either remained weak or expanded their reach only indirectly under subsidiarity. This counts for west and central Germany as well as the Netherlands. As opposed to this, early centralising polities such as East-Elbian Germany and France seem to have registered a further decline in proto-coordinated institutions.

Against the backdrop of these findings, this third section now turns to the implications of these historical trajectories for the modern experience of industrialisation. It consists of two chapters, structured along the lines of the two previous sections: the current part, chapter six, will survey the developmental paths of polities across Western Europe between the Napoleonic-imposed end of the Holy Roman Empire in 1806 and the the year 1880 – the moment by which contemporary nation states largely existed in Western Europe, including in famously late-coming Germany. This comparison will highlight how in traditionally decentralised Europe, federal, subsidiar and disintegrated entities prevailed despite Napoleonic attempts of centralisation at the beginning of and the rise of the (often-times late-running) nation state at the end of the 19th century. The development in early-centralised Europe was the opposite, with formerly absolutist polities developing into forerunning, modern nation states with strong central administrations.

The subsequent chapter seven will then make the connection with developments in the economic realm for the period of industrialisation up until the 1880s, just before the introduction of Bismarck's public welfare schemes in Germany, the first social security legislation worldwide. This will highlight how the first traces of modern welfare states occurred in very different fashions between subsidiar and traditionally centralised Europe.

Specifically, my account will highlight a perspective largely under-represented in much of the existing political economy and historical institutionalism literature, namely the bottom-up processes that were crucial for the rise of the modern welfare state in subsidiarity-based polities such as large parts of Germany. This will, once more, underline the crucial importance of the specific design of political institutions for the emergence of modern varieties in the organisation of human-capital formation and the wider economy.

This chapter, and the subsequent one, will be structured along the by now established lines, with the perspective on developments in the Germans lands being complemented by the comparative view on the Netherlands and France. A summary concludes.

6.1 The German lands: The centrality of the periphery

Among German historians, the term 'the long 19th century' is a standing expression: the century was long, as one of its central themes, the unresolved "German question", found its (first) violent expression only in the 20th century outbreak of WWI in 1914; it was long also in the sense that the defining moment for that century had already occurred in the previous 18th century, the French revolution of 1789 (or, arguably, American independence of 1776), which paved the way towards the formation of modern nation states in Europe.

Any account of political developments in 19th century Germany has of course to start with Prussia. We have already seen how the early westward reach of the old, East-Elbian Mark Brandenburg had not been able to undermine traditional forms of political decentralisation along the Rhine, in Brandenburg's possessions in the Rhineland and Westphalia. However, while this confrontation with local patterns of political subsidiarity had merely amounted to the acceptance of respective practices during the 17th and 18th centuries, the 19th century suddenly opened up new possibilities for representatives of the western order within the Prussian state. One focal point was Bismarck's creation of the German empire, where Prussian-sponsored national unity could famously only be achieved under the preservation of far-reaching regional rights of self-administration (Ziblatt 2006). However, even earlier, in the first half of the 19th century, another crucial trigger for Berlin's greater openness towards patterns of subsidiarity was provided by the Prussian defeat incurred during the Napoleonic Wars, most notably in the battle of Jena and Auerstedt of

1806. This marked Napoleon's victory over the disintegrated Holy Roman Empire that had been the substitute for an effective German state for centuries (Clark 2007, ch. 11).

Most importantly, however, Jena and Auerstedt had brought the Prussian state close to outright annihilation. The resulting Tilsit Treaties had effectively halved the territory under Prussian control, while also forcing Berlin to make reparation payments to the French. Crucially, Prussia lost all its possessions east of the Elbe, which were united in the new Kingdom of Westphalia, over which Napoleon's brother Jérôme ruled as king. As a result, Prussia found itself confronted with a network of Napoleon-controlled, newly integrated territorial states designed as satellites to the new French empire, which was known as the Rhine Federation. In these places, incorporating Germany's traditionally decentralised regions such as Westphalia, Baden, Württemberg and Nassau, as well as the rather centralised yet independent-minded Bavaria, the early 19th century witnessed beginning work towards representative constitutions under French influence (Fehrenbach 2001; Nipperdey 1998, 38 ff.; Wehler 1987a, 381 ff.).

Against this threatening background, the East-Elbian rulers eventually opened up for the adoption of a series of reformist policies. These were designed by Karl Freiherr vom Stein and Karl August Fürst von Hardenberg, two liberal – tellingly, West-Elbian – noblemen from Nassau and Hanover, respectively (Clark 2007 ch. 9-12; Gray 1986). In the context of these reforms, the municipal code of 1808 was explicitly designed to boost the principle of self-administration in Prussian communities, aiming at a re-connection of citizens and the state. Crucially, cities gained political authority over the municipal budget and the local police. While these measures were principally non-corporatist in design, historians have highlighted that they did help to bring about a situation where Prussian city government remained largely in the hands of craftsmen and merchants up until the 1848 revolution (Fehrenbach 2001, 113; Nipperdey 1998, 38 ff.).

The example of the Prussian municipal-code reform highlights a crucial pattern: the gradual expansion of Western traditions of political decentralisation towards the East under the impression of French pressure and competition. Triggered by the loss of its West-Elbian possessions to Napoleon, Prussia came under pressure to eventually apply to wider parts of its territory many aspects of the political decentralisation and subsidiarity that it had already long been forced to respect in West and Central Germany. This provides us with an alternative reading of the effects of Prussia's emergence as Germany's leading power during the subsequent, post-Napoleonic 19th century. Instead of the formerly decentralised lands simply coming under the reach of Prussian authoritarianism, the competition for the integration of these areas often motivated Berlin to implement legislation amenable to respective local structures. As the 1808 municipal legislation highlights, this often had effects on Prussian governance itself, not just local political organisation. In other words, the question of the direction of the adjustment process arises, pointing to two-way rather than one-directional patterns, while the spatial West-East dimension also reflects on the hierarchical aspect between periphery and centre at the same time. This counted for the organisation of political governance, but given the established, mutually re-enforcing relationship between subsidiarity and proto-coordination, this it also left its mark on developments in the economic realm (see the two chapters below).

After the demoralisation of Napoleon's *Grande Armée* in the burning ruins of Moscow and his subsequent defeat and dethroning following the Sixth War of the Coalition, the outcome of the Vienna Congress of 1814/15 crucially improved Prussia's position in Germany, and in fact in European politics. Especially the inclusion of the proto-industrially advanced Rhenish and Westphalian lands in their entirety emerged as a major turning point in German politics. Having been on the verge of collapse 1806 and being forced into an awkward alliance with France against Russia, Prussia less than a decade later controlled a territory reaching from Königsberg in the Baltics all the way to the ancient imperial city of Aachen, west of the Rhine (Clark 2007). Part of the final act of the Congress of Vienna was the establishment of the German Confederation – but this network of states never amounted to much more than a loose association of the initially 39, still independent German states. One central reason for this was the fundamentally unresolved national question in Central Europe. For instance, via the inclusion of areas such as Luxembourg and Holstein, the kings of the Netherlands and of Denmark also joined their Prussian and Austrian counterparts in the confederation. The growing dualism between Berlin and Vienna was chief in preventing the confederation from ever acquiring a constitution (Müller 2006).

Prussia's leadership was more clear-cut in the German Customs Union (*Deutscher Zollverein*), a project launched in 1818 that kept expanding steadily and thus – whether intended or not – did come to play the role of a powerful precursor for the political unification eventually achieved in 1870/71. The Union was primarily designed to gradually abandon tariffs and to unify production standards and measurement units across the German lands. Prussia's staggering size compared to all other German states – especially north of the river Main – and its rapidly growing industrial clout provided Berlin with a powerful leadership role in this organisation, as the other German states were left with no other choice but to entertain close links with the undisputed economic powerhouse of the German lands. Despite this gradually evolving Prussian leadership, however, the process of political and economic integration did never take the form of a centrally imposed, top-down process. With a view to the wider political context discussed here, the economic leadership of Prussia within the Customs Union should be seen as testimony of the politically still prevailing, high degree of regional-state fragmentation across the German lands. Despite Prussia's economic dominance, hence, the primarily economic integration project of the *Zollverein* had to take the political shape of an incrementally negotiated process (Berding 1980; W. Fischer 1972; R. H. Tilly 1990).

Within Prussia, meanwhile, the process of integrating Berlin's new Rhenish and Westphalian possessions displayed crucial similarities with the early-modern processes of constructing larger political entities in Germany. As highlighted already for the early modern period, core areas of the Rhineland and Westphalia had historically managed to retain meaningful rights of self-administration ever since their affiliation with the Mark Brandenburg, the later Prussia, in the 17th century. With the creation of the two respective, larger provinces as parts of the Prussian state after the end of the Napoleonic Wars, the degree of subsidiarity and self-administration in the Rhineland and Westphalia remained substantial. This was most clearly reflected in the existence of provincial estates (*Provinziallandtage*), which the Prussian government had introduced in its newly acquired possessions between 1823 and 1827 (see Obenaus 1984). The estates consisted of representatives of the landed aristocracy, but also of the cities. The fact that these assemblies did not possess any legislative or budgetary powers and did merely fulfil consultative tasks for the Prussian government has traditionally been highlighted in many accounts. However, regarding issues of local community government, the estates did in deed possess legislative powers (Leesch 1993). On the one hand, hence, the practice of decentralised representation and the lack of an integrated Prussian parliament until the 1848 revolution cemented the inner-German dualism between East-Elbian Prussia and the Southwest German states of Napoleon's former Rhine Confederation. On the other hand, and with a view to subsidiarity instead of rights-based federalism or even democracy, however, the Prussian practice of decentralised representation did nevertheless play a crucial role. This becomes especially clear if we further widen our scope, also considering aspects such as the increasing role of local and city government.

What this meant in practice can be gauged from the process in which Prussia steadily increased its reach over West-Elbian Germany. The role of the provincial estates in municipal self-administration – rather than in Prussian-wide representation – became especially obvious in places such as in the province of Hesse-Nassau, which was created in 1866 after Prussia had defeated Austria and its allies in decentralised Central Germany. Instead of creating an integrated estates assembly similar to the situation the Rhineland and Westphalia, the Electorate of Hesse-Kassel, the Duchy of Nassau, and the formerly Free Imperial City of Frankfurt am Main all retained their individual communal assembly (*Kommunallandtag)*. It is quite telling that this introduction of a subsidiar political structure was the strategy of choice for the Prussian authorities in a region that had since the 1830s acquired a reputation for a self-confident citizenry challenging the attempts to establish unrestrained princely rule. Instead, a very liberal constitution had been established, even when compared to those political and legal models introduced in Southwest German states such as Württemberg around the same time (see Gehm 2010).

Meanwhile, in the Rhineland and Westphalia, the provincial estates had become the focal point for the emergence of liberal opposition movements since the 1830s. For instance, early coalitions calling for a Prussian-wide constitutional order formed in the Westphalian estate. These included actors as diverse as Ruhr proto-industrialist Friedrich Harkort, Münster-based publisher Johann-Hermann Hüffer, as well as representatives of the so-called fourth estate. Among the latter group, liberals such as Franz Anton Bracht rose to prominence. The Westphalian push for a Prussian-wide constitutional order remained unsuccessful for now (Ribhegge 2008, 73; see also Teppe and Epkenhans 1991). However, the very location of its origins nevertheless reflected the prevailing strength of the principle of subsidiarity in inner-Prussian, regional governance, as well as the ensuing limits for all-too centralised recipes.

The constitutional episode from the early 1830s is interesting for at least three interrelated reasons. First, Bracht was a liberal-minded public servant from the Vest Recklinghausen, which had until the Napoleonic invasion belonged to the decentralised Electorate of Cologne. Recall that the Cologne lands had been the locus of the first regional estates in the Holy Roman Empire, introduced already in early modern times. The 1830s episode might therefore hint at a situation where actors were familiar with – and whose political influence depended on – traditional Western modes of subsidiarity. They therefore continued to push for respective institutional arrangements also in Prussia. Second, the still very rural area of the Vest Recklinghausen, but also aforementioned industrialist Friedrich Harkort's home by the Ruhr, would soon experience a population explosion fuelled by coal mining and steel production. This quickly turned the region into one of the world's largest heavy-industrial areas, the archetypical example of what Gary Herrigel (1996) refers to as the 'centralised industrial order': a region dominated by large, independent-minded enterprises, run by patriarchs, and located in formerly agrarian places without meaningful traditions of self-administration. However, traces of early Westphalian constitutionalism do raise some doubt about this all-too clear-cut differentiation. These doubts will be further substantiated below, in the context of our discussion of economic governance on the emerging, heavy-industrial shop floors. Finally, calls for a constitutional order were put forward by a coalition of diverse actors, including public servants, early-industrial employers, liberal patricians, and sometimes even aristocrats. The formation of coalitions across the evolving cleavages of emerging industrial society is a pattern that would soon come to play a decisive role in the wider German turn to coordination.

With the extremely lose connection of the German Confederation the only politically unifying institution in the German lands, the formation of a nation-state was still some two decades away around 1850. Historians have debated for decades whether the March Revolution of 1848 should be labelled as a failure or as an at least partial success (see Grebing 1986; Hahn and Berding 2009; Nipperdey 1991; Wehler 1987b). As a matter of fact, however, what the forces assembled in Frankfurt's *Paulskirche* had ultimately been unable to achieve was the formation of a German nation state – a crucial juncture on the way towards the German *Sonderweg* in the view of some historians (see Rapport 2009). Nation-state formation remained a task to be fulfilled by the *Paulskirche's* political adversaries, specifically in the context of the unification wars of the 1860s.

In the meantime, regional states continued to retain their formal independence and considerable rights of self-administration, which also facilitated the survival of locally distinct modes of economic governance. As the subsequent chapters will show, this setup would come to benefit the survival of traditionally artisan manufacturing *Gewerbelandschaften* in states such as Baden and Württemberg along the Upper Rhine, at the heart of decentralised Europe. The same went for traditionally independent-minded, though largely agrarian and Bavaria in the south.

The failure of the liberal project of nation-state formation only further served to benefit the growingly dominant position that Prussia came to play in German politics. Crucially, the growing dualism between Berlin and Vienna over the leadership role in German politics was closely interrelated with domestic Prussian developments, especially the stand-off between a liberal-dominated parliament and a young, ambitious and ultraconservative East-Elbian *Juncker* who Wilhelm I. appointed as minister president in 1862 and who should soon turn into one of the defining politicians of the 19th century: Otto von Bismarck. In order to overcome liberal opposition against the Prussian army's skyrocketing funding needs in light of growing competition with Austria, Bismarck first sidelined parliament only to retroactively pass a designated bill (*Indemnitätsvorlage*) in order to white-wash himself from his blatant break of the Prussian constitution (Helfert 1989; Pflanze 1971). Bismarck hence famously paved the way for the decoupling of the agendas of liberalism and nationalism in German politics (Fehrenbach 2001).

Despite the problematic marriage of East-Elbian authoritarianism with the agenda of forming the German nation state, the actual process in which Bismarck ultimately came to achieve Prussia's "German mission" was a mixture of different strategies rather than a clear-cut imposition of a political programme from above. His tactics did of course include means of coercion, war, and bending – if not the outright breach of – constitutional law, but it also consisted of skilful negotiation and careful integration processes in which often far-reaching rights of local self-administration were preserved.

Examples of war and coercive strategy include the 1866 Battle of Königgrätz, which ultimately decided the Austro-Prussian dualism in favour of Berlin. While the 1848 revolution had still failed precisely amid the unresolved Austrian (or, for that matter: Hungarian) question, the result of Bismarck's military success and his previous victory over Denmark was the 1867 formation of the North-German Confederation, uniting under Prussian leadership the 22 independent states located roughly north of the river Main – the second-to-last step on the way to the formation of an integrated German nation state four years later, excluding Austria-Hungary. Another case in point – including the crucial element of witty tactics on Bismarck's behalf – was the chancellor's handling of the Ems Dispatch in the summer of 1870. This provided Bismarck with the desired pretext for the all-decisive 1870 German unification war against France. The outcome was the proclamation of the German Reich and of Prussia's Wilhelm I. as German emperor in the hall or mirrors at Versailles castle on 18 January 1871. Even in this context, however, it is noteworthy that in contrast to the purposeful humiliation of the French in 1871, Bismarck had for instance ensured that the treatment of the defeated Austrians in 1866 stopped short of humiliating Vienna by means of annexations (Nipperdey 1996; Showalter 2004).

Meanwhile, beyond the war of 1866, many aspects of the aforementioned creation of the North-German Confederation in the following year rather resembled negotiation and integration strategies. On the one hand, the project as such marked a densification of political power under Prussian leadership, especially when compared to the previous German Confederation of 1815. At the same time, member states nevertheless retained crucial aspects of their formal independence. This became most obvious in the constitution, the presence of which set the new North-German Confederation apart from its 1815, Germany-wide predecessor, and which would after 1870/71 serve as the crucial blueprint for the German empire's constitution. The document introduced the bi-cameral structure well known to observers of contemporary German politics: one the one side stood the Reichstag as the elected parliament. Interestingly, this body was elected not according to a landholder or any other census, but according to an (at the time extremely progressive) general, equal and secret universal suffrage held by all men above the age of 25. The other part was the Bundesrat as a representative council of allied governments. Surely, given the exclusion of Austria in the context of the *kleindeutsche Lösung* and the omission of large south German states such as Bavaria, Prussia's dominance was staggering not only in terms of its overall geographical, demographic, and economic size, but also by the blocking minority of representatives it controlled in the Bundesrat. Still, compared to the actual numbers, Prussia was de-facto under-represented with its 17 out of 43 votes in the Bundesrat, and given that in order to pass any legislation, a double majority of both chambers was required, the Reichstag and the Bundesrat, this formally provided smaller territorial entities with an effectively larger influence than would have been the case without further densification. Moreover, and against Bismarck's initial will, the position of the federal chancellor was strengthened in the sense that he acquired the status of constitutional organ, not just leading bureaucrat, politically accountable to the Reichstag (Stürmer 1984; Ullmann 1995, 31ff.).

Another example for the negotiated rather than the coercive character of Prussian leadership was, of course, the introduction of the three larger southern states of Baden, Württemberg and independent-minded Bavaria into Berlin's project of the German nation state. This integration had had still been impossible due to French resistance in 1866/67. In 1870/71, this difficult setup made Bismarck play – via the pronounced Franco-German antagonism – the card of German patriotic feelings and nationalism in the southern states to engineer support. Specifically, Bismarck's masterful populist tactics strategically forced France into declaring war on Prussia – the only backdrop against which Prussia could demand the southern and traditionally Francophile states of Baden, Württemberg and Bavaria to declare themselves solidaristic with Prussia (Kolb 1970; Wetzel 2001; Ganschow, Haselhorst, and Ohnezeit 2009). Once the German Reich had been proclaimed, and as highlighted in Daniel Ziblatt's highly insightful comparison of the German and Italian, late-coming experiences of national unification, the preservation of local infrastructural capacity for self-administration in non-Prussian Germany did not only provide these states with a strong bargaining position vis-à-vis the aspiring rulers in Berlin; crucially, it also enabled the Prussian unifiers with the realistic option of endowing these long-standing regional authorities with the right of administering their own, regional political and economic affairs within the German nation-state they were about to construct (Ziblatt 2006). As opposed to the Italian *Mezzogiorno*, Germany's southern and western parts hence possessed the administrative capabilities for a subsidiar political setup to become a realistic option (see also below).

In the case of Prussia, an interesting dualism between the levels of domestic and national politics was the consequence of Bismarck's strategy: rivalled only by Austria in its claim for leadership within Germany, Berlin's plans to bring about national unification required the government to take the preferences of the southern states into account. This counted especially for those policy areas that would predictably be of great sensitivity in a future single nation-state, such as the question of political representation. Hence, while Prussia stuck to its undemocratic three-class suffrage domestically, it played a very different role in national politics with Bismarck proposing free and democratic elections for the new German diet. Taking a rather un-dogmatic stance, the Prussian government chose in each context the option most suitable to its respective political goals. Although fiercely rejecting suffrage extension, it proposed on the national scale almost exactly the same electoral system as drafted earlier by the revolutionaries of 1848/49.

The plan approved by the revolutionary national assembly in Frankfurt's Paulskirche on 27 March 1849 would have given Germany one of the most modern electoral systems of the time, second only to France (Fenske 1972, 21f.). Under it, members of the new German parliament were to be elected in single-member districts of 100,000 inhabitants each. A second round was followed if necessary a by run-off election in order to decide the race in constituencies where none of the candidates achieved the absolute majority required by the law in the first round. Constituencies were planned to be in accordance with the geographical borders of German states. Hence, those states with a population of between 50,000 and 100,000 (like, for instance, the Free City of Lübeck) formed an electoral district in their own right. Only below the threshold of 50,000 inhabitants were neighbouring jurisdictions to be merged into a joint constituency. Every male German citizen of at least 25 years had the right to run for office if he had had his permanent home in of the German states for the last three years, had not received pauper relief during the year before the election, and was not insolvent or under tutelage. The same specifications also counted for the right to vote, except for the three-year residency rule.

However, the revolution of 1848/49 failed eventually, and with it the calls for national unification. Instead of a national assembly, it was King Fredrick William IV who imposed a constitution on Prussia, establishing the three-class suffrage (Fenske 1972, 86). The liberal-minded public in southern Germany was thus rather puzzled when Bismarck offered the implementation of a national diet elected in free and democratic elections on 10 June 1866. The rationale behind the Prussian chancellor's move was of course largely driven by the intensifying conflict with Austria over dominance in Germany: Bismarck put forward a democratic assembly in return for liberal support for his plans for German unification under Prussian leadership. After the Prussian army devastatingly beat Austrian troops in Königgrätz later that summer, the members of the constitutive diet of the new North German Confederation were elected almost by the same rules adopted in the Paulskirche 17 years earlier. The electoral law of 1869 institutionalised these procedures.

Bismarck was confident that free and democratic elections would serve as a reliable means for securing conservative majorities in the new parliament. While he feared the influence that liberal forces could potentially gain within institutions like electoral colleges, he was confident that an agrarian-aristocratic coalition supporting conservative politics would emerge victorious from free elections. Moreover, he had the long-time goal of unification with the southern states on his mind (Fenske 1972, 22f.). This latter plan worked out eventually. However, electoral reform was unnecessary for the inclusion of the southern states into the new nation state: the North German Confederation already possessed a diet elected in democratic elections. Hence, the rules first drafted in the Paulskirche in 1849 and later established in northern Germany simply continued to exist after 1871 – this time as the electoral laws for the parliament of united Germany.

Therefore, once the Kaiserreich had been established, the reality of policy-making further preserved elements of subsidiarity – that is, not merely federalism as represented for instance by the bi-cameral setup between Bundesrat and Reichstag. Another indication that the Reich was not modelled on strictly rights-based, checks-and-balances and division-of-powers considerations of federalism was already provided by the fact that the Bundesrat did not consist of directly elected senators, but rather (just like the institution of the same name in Germany's current political system) of representatives of the regional states' governments. However, even if we take into account that with the creation of a German nation state, the Reichstag did gain in importance as the national parliament, this did not mean the end of subsidiarity. With a view to the public welfare legislation so crucial in the context of this thesis (see chapter eight below for a more detailed discussion), historians have shown that despite the central role of the Reichstag, especially parliament's organisation in committees (*Aussschüsse*) had the effect of adding an additional, pre-parliamentary layer of coordinating compromise, not only among Reichstag members, but also and crucially among the different regional interests they represented, as well as with the representatives of the regional states, who were equally involved on this level (Henrich-Franke 2011). The author specifically looks for traces of federalism, therefore presenting his findings on the continued representation of local and regional interests in Reichstag committee politics as an upgraded, effective form of federalism under conditions of the newly created nation state. However, from the perspective of this thesis, it is crucial to highlight that rather than de-facto federalism, the idea of a federalisation of the Reichstag suggests that what quickly seems to have emerged were structures for the management of complex, often blurry and contested power monopolies between different political hierarchies – i.e. structures of subsidiarity, a hybrid form of societal organisation precisely in between the poles of outright federalism and unitary centralisation.

In sum, politics in the German lands and within its emerging focal point, Prussia, took place in a setting in which the political centre could not easily dictate institutional conditions. On the contrary, there is evidence suggesting that the growing reach of the centre came at the cost of the alleged periphery decisively influencing the design of the resulting political order – be it in the context of the incremental process of creating the German Reich or on the road towards Prussian expansion.

6.2 The Netherlands: Consociationalism through *Verzuiling*

In many regards, the Netherlands makes for a highly interesting comparison for 19th century Germany. Bordering directly the economically most advanced regions of Prussia – the Rhineland and Westphalia – and a traditional merchant-economic heavyweight, the Netherlands' history during the 19th century is often depicted as a key example for political centralisation. As in the case of 19th century Germany, however, a closer look at Dutch history during that period in fact reveals a remarkable strength and durability of long-standing patterns of decentralised government. Discounting for the special German ingredient of the pre-determined *Sonderweg* straight into the abyss of civilisation, hence, both polities share principal similarities both regarding the depiction of their respective historiographies and the factual survival of political subsidiarity.

The case of the Netherlands is probably the best example for the fact that at the geographical core of traditionally decentralised Europe, the formation of strongly centralised polities simply did not succeed. At first sight, this claim seems to contrast with the structure of the Dutch polity as a unitary state. After all, neither the current Kingdom of the Netherlands nor its predecessor of the 19th century – the focus of this chapter – were federal states. However, against the backdrop of the argument developed in this thesis, respective qualifications only serve to remind us of the crucial need to move beyond narrow, dummy-variable equations of federalism with decentralisation, and instead, open up for the less clear-cut, more complex structure of subsidiarity. For this concept, meanwhile, the Netherlands are indeed a prime, hugely interesting example. While the country's contemporary constitution frames the Kingdom of the Netherlands as a decentralised unitary state, the roots of this modern setup of the polity can be traced back all the way to the reform of the constitution in 1848.

1848 does indeed mark the moment in which the Netherlands successfully managed to overcome the French legacy of full-blown centralisation, replacing it with a more nuanced, effectively still highly subsidiar setup of political institutions. The constitutional reform of that year was the result of the work mainly of liberal politician and later Prime Minister Johan Rudolph Thorbecke. In light of the uprisings and revolutions sweeping across Europe at that time, King William II opted to instigate constitutional revision himself instead of being pushed into it by popular movements with the potential for larger political overthrow. In his capacity as the chairman of a respective commission, Thorbecke, despite the king's uneasy relationship with him, became the key actor in the process of designing a new constitution. The result was a reform that introduced, among key societal freedoms, the concept of ministerial responsibility to Dutch politics – responsibility to a house of representatives that was from now on directly elected. However, the census suffrage – although on an enlarged basis – still prevailed for the moment (Kossmann 1978, 190ff.). Similarly, the directly elected provincial estates were now allowed to choose by majority voting Senate members representing their respective province in the capital (van Zanden and van Riel 2004, 175).

Crucially from the perspective of this thesis, Thorbecke devised his "house of three floors" structure for the Dutch polity, highlighting the crucial role not just of the central government, but also of the municipalities, and, growingly during the 19th century, the intermediate level of the regional provinces. Especially in the areas of education, housing provision, and infrastructural capacity, and enforcing the law, local authorities played a crucial role, despite the absence of formally federal structures. Interestingly, poor relief was also among the issue areas which local authorities were very active, including not just public administration, but also the church charity organisations, in the Dutch 'unitary decentralised state' (F. Bos 2012, 35ff.; for a specific focus on fiscal implications see also van Zanden and van Riel 2004, 171ff.).

At the same time, however, the 1848 revision of the Dutch constitution emerges as the first starting point for the country's modern constitution only if considered narrowly from the perspective of parliamentary politics, on the way to which Thorbecke's reform constituted a great leap forward. Purely from the perspective of the pre-parliamentary limits of the centralisation agenda at the geographical core of decentralised Europe, however, these respective constraints had become extremely obvious already at much earlier points in Dutch 19th century history. The first event of this kind was the passing of the Dutch constitution of 1815, at the onset of the United Kingdom of the Netherlands. The previous periods of the post-revolutionary Batavian Republic (1795-1806) of the French-sponsored Kingdom of Holland ruled by Napoleon's brother Louis I (1806-10), and of outright annexation and inclusion into the French state (1810-13) had seen the installation of a unitary state characterised by a centralised government bureaucracy, national authorities for tax collection and administration, and the abolition of the provinces (Kossmann 1978, 65ff.).

The subsequent, 1815 constitution went on to highlight the limits of the former, French-imposed centralisation in two ways. On the one hand, 1815 saw the return to certain aspects of the formerly republican, subsidiarity-prone setup of the Dutch polity. For instance, the bottom-up principle of staffing the house of representatives of the *Staaten General* with delegates from the various provincial estates continued. The provincial estates, in turn, were themselves composed of delegates sent by city councils, and – growingly and in deviation from the old, urban-centred Dutch Republic – also of rural areas. On the other hand, there were clearly aspects of now more strongly centralised rule under King William I. The effective power of parliament, provinces and municipalities was rather limited under his autocratic government (Kossmann 1978, 103ff.). With historical hindsight, ironically, these however only serve to demonstrate their very unsustainability at the geographical core of decentralised Europe – not only with a view to Thorbecke's 1848 reforms or, in fact, William's forced abdication and first reforms towards greater governmental responsibility vis-à-vis parliament in 1840.

Instead, it was already the secession of the kingdom's southern provinces, and the resulting formation of the Kingdom of Belgium as an independent state in 1830, which serve as a reminder of unsustainability of attempts of too centralised monarchic rule in an area of long-standing differentiations between centre and periphery, among religious denominations, languages, local cultures – and, of growing importance during the 19th century – also economic models, with the north rather merchant-dominated and the south instead characterised by proto-industry. Historians have pointed to the overlap between the more geographical rift between the northern Netherlands and southern Flanders on the one hand, and inner-Dutch tensions between conservatism and liberalism on the other. In this sense, the autocratic rule enshrined in the 1815 constitution did not only anger the Flemish but, along similar line, provoked complaints in the Netherlands for its neglect of traditions of local self-governance. However, in the case of the soon-to-be Belgium, the question of representation on the effectlively northern-dominated state institutions added an additional dimension of conflict (Blom and Lamberts 1999, 307ff.). Much as in the case of the medieval wars of religion in the Holy Roman Empire (see above), the issue of Catholicism seems to have played the role of an interesting proxy for wider concerns. For instance, liberal forces in Flanders came to support local Catholics in their opposition against Dutch-imposed, freedom of religion, with the Belgian constitution after 1830 providing a remarkable counter-point to this practice: the Catholic church used its newfound freedoms to establish – interestingly from the perspective of this thesis – its own educational system in the break-away state, which it had been unable to pursue under Dutch rule (Blom and Lamberts 1999, 315).

Against this backdrop of the continuously limited success that attempts of outright centralisation enjoyed also in the Netherlands post Napoleon, it is no surprise that the second half of the 19th century saw the emergence of a key concept of Dutch societal governance, which, interestingly, since the 1992 Treaty of Maastricht has also come to form an organisational blueprint for those advocating a more federal setup of the European Union: consociationalism via the principle of pillarisation (*Verzuiling*). Much like had been the case with Johannes Althusius during the 17th century, in the Netherlands of the 19th century, it was, in the person of politician and religious theoretician Abraham Kuyper, a Calvinist thinker who was behind the introduction of this version of the allegedly Catholic principle of societal subsidiarity. In a way, his advances might be seen a lesson learned from the failure of religious centralisation that had become so obvious at the latest in the eventual loss of the southern, Catholic provinces to the newly created Belgian state during the first half of the century. In remarkable departure from respective, earlier approaches, *Verzuiling* introduced the idea of three largely autonomous, religious-societal pillars, one each for Protestants, Catholics, and seculars. Each pillar was self-administered via a network of various societal organisations from churches to educational institutions, parties, media, and leisure time organisations. Meanwhile, the three unifying aspects were the common language Dutch, the economic interchange within an integrated market – and ultimately the shared nationality (for the single most influential account see Lijphart 1975).

In recent debates political scientists differ on whether, the principle of *Verzuiling* should be taken at face value as an analytical category in the context of any description of the societal situation in the Netherlands of the 19th and early 20th century. Especially similarities as well as differences with related concepts such as corporatism have attracted attention (Blom 2000; Wintle 2000). However, what the example of the Netherlands does in any case vividly display is that at the geographical heart of Western Europe, subsidiarity continued to offer solutions to the risk of intra-societal clashes amid long-standing cultural differences and increasing functional differentiation of the 19th century.

6.3 FRANCE: *UNE ET INDIVISIBLE*

French history in the 19th century provides an interesting counterexample to the Dutch and German experiences; it also highlights that the fundamental configuration of political institutions on the centralisation-subsidiarity axis remained largely stable even in the face of large-scale historical events. If anything, the most striking example of such a critical juncture (Capoccia and Kelemen 2007), the French Revolution of 1789, perhaps counter-intuitively at first, only further re-enforced the country's pre-existing disposition towards political centralisation (Schrijver 2007, 171 ff. provides an excellent summary, which also forms the basis for the account in this subchapter). Both the revolution and the subsequent Napoleonic period removed whatever traces had still been left of regional autonomy under the absolutist system (Cole 2006; see also Dupuy and Thoenig 1985).

Historians' focus on 1789 often obscures the fact that France's history in the subsequent, long 19th century was by no means less tumultuous than in the days of the revolution and the Napoleonic wars. However, even if France's long 19th century is duly analysed, this, in turn, poses yet another risk: given the chain of quickly changing regimes, revolutions and forms of government during that period – of course a fascinating topic in itself –longer-lasting and at times less apparent themes such as political centralisation might get out of sight. Against this double risk neglecting the 19th century vis-à-vis the revolution, and overlooking structural continuities in favour of frequent regime change, the best indicator of the perhaps surprising degree of overall stability regarding political centralisation in 19th century France is the role that the capital city Paris continued to play under any regime. Whatever the form of government, and whatever the dominant political program, Paris remained the unrivalled incubator of social change; a change which in the view of most political actors only then had to be carried to – and at times to be defended against – the surrounding rest of the country (see for instance Sawyer 2008). The centre remained the locus of political debate and decision-making in France, from the revolution until the end of the long 19th century – and, in fact, beyond, until the present day.

We have already seen how in pre-revolutionary France, political centralisation had been a key strategy for the royal court to secure the revenues on which it dependent for building an integrated state in the face of factual local diversity, and for financing its absolutist endeavours (see chapter five). After 1789, the revolutionaries partly flipped this reasoning around, thereby in fact further bolstering the role of centralisation. From now on, centralisation was no longer a simple means for sustaining the logic of dynastic politics; instead, the state was re-defined as an entity no longer at the hands of absolutist rulers but instead serving the new sovereign, the French nation – a unitary actor following the philosophy of Rousseau, or 'one and indivisible' (*une et indivisible*) according to the famous article contained in the 1793 constitution of the first French republic. The departure from the previous absolutist politics could not have been sharper: in the old days, the nation's territorial possessions could be enlarged or lost during wars led largely at the king's liking. As opposed to this, in 1789, the French state as such became a subject independent of the individual kings ruling it – and, as we will see, also of changing political majorities that soon were to start controlling the government. In this sense, it is fair to say that in the 1789 revolution, centralisation got promoted from a pure means of maintaining the dynasty's grip over its possessions to something more fundamental: the organisational reflection of a new dogma, the unitary nation (Schrijver 2007, 171ff.).

However, the enhanced ideological role for centralisation did not mean that it would have lost practical significance. What the revolutionary ideals meant for the specific setup of the French polity became apparent for instance in the territorial re-organisation agenda pushed by the Jacobins, the central force within the revolutionary-republican movement. Much like in the days of the *ancien régime*, the goal of centralisation continued to serve as a means to prop up the respective system against external as well as internal enemies. Also in the context of the revolution, therefore, the French inclination towards centralisation should again be seen as the historical result of in fact quite impressive levels of regional diversity across country. The France of 1789 – which had, up until that point, been held together by feudal loyalties to its dynastic ruler – did indeed still face a strong potential for meaningful local and regional allegiances, which had the potential to compete with the idea of a unitary French nation as the new sovereign: from the Basques to the Bretons, from the Alsatians to the Provençals, up until the 1860s, only about 50 per cent of the overall population spoke French as their mother tongue. Against this backdrop, it is no wonder that France outside its cultured, enlightened and progressive capital Paris – as which the Jacobines tended to view it – appeared as dangerous hinterlands dominated by revanchist, ecclesial loyalties and the manors of the old, landed aristocracy. It was in opposition to these traditional organisational structures and values that the Jacobines began to promote their program of revolutionary centralisation, unity, and uniformity (Knapp and Wright 2006, 349 f.; on the interesting relationship between de-facto cultural heterogenity and political centralisation in post-revolutionary France see also the excellent account in Cole and John 2001, 37 ff.).

The inner workings of this continued tendency towards centralisation become apparent especially in contrast with no-less centralised England. In France, centralisation seems to have been a much more contested project given the presence and competition of still strong regional and local allegiances. French centralisers therefore appear to have followed an ultimately different rationale than their English counterparts: Paris remained 'obsessed by the demon of exit' rather than the by the 'angel of voice': the English idea of centralisation as a means of limiting the powers of the Crown and organising representation (Finer 1974, 115). In the aftermath of the 1789 revolution, as a result, the French ideology of central-state supremacy over particularistic interests continued to motivate a strong reliance on top-down organisation, with the government designing policies that local authorities merely had to implement (Cole 2006). Once more, the ideational foundations in Rousseau's *volonté generale* – in contrast to the more pragmatic, organisational considerations that seem to have informed English centralisation – could not be more obvious.

In practical terms, the most visible – and in fact enduring – achievement of the French revolutionary project of administrative centralisation was the subdivision of the entire country into (initially 80) *départements* as of 1790. Promoted, among others, by the Abbey de Sieyès, the new administrative structures, centred on the reachability of any geographical point from its respective departmental capital within one day's horse ride, was implicitly designed to ensure the centre's grip over the countryside previously organised in provinces (Ozouf-Marignier 1992). Specifically so as to break with previous references to local cultural allegiances – as had been reflected in the names of the provinces – the new departments also introduced a completely new '*typonomisation*' in that the new structures were labeled simply by reference to geographical, and in that sense apolitical characteristics such as rivers and mountains (Giraut and Houssay-Holzschuh 2008). One of the most interesting aspects of French history in the long 19th century is the fact that despite the ever-changing flurry of different regimes the country encountered, this basic structure of Napoleonic administration – rationalised via its centralisation – remained largely intact in the years to come.

Meanwhile, Robespierre's *Terreur* as well as the defeat in the wars directly following the revolution soon overturned revolutionary optimism. This of course prepared the ground for the rise of Napoleon – and with him a highly interesting, hybrid form of polity, the first French empire proclaimed in 1804. On the one hand, Bonaparte's style of government marked a sharp break with the ideals of the first republic. Consider his self-crowning as Emperor, his granting of noble titles to relatives – for instance in the Kingdom of Westphalia and in the Batavian Republic – as well as his autocratic style of government. At the same time, however, his pronounced rejection of the inefficiency of the old feudal system continued to set him in sharp, revolutionary contrast to the *ancien régime*. A popular tribune and enlightened despot following late-Roman examples, Napoleon hence continued to foster revolutionary ideals, which he knew still enjoyed the support of large parts of the French population. To name three examples, this included religious tolerance, values of social equality, and a commitment to the public education system. In short, he married hierarchical with revolutionary currents (Lyons 1994).

This also pertained, of course, to the generally liberal legal *Code Naopléon*, which, via Bonaparte's wars, still today forms the basis for many legal systems across continental Europe, including the German civil code. The civil code, in turn, provides yet another example of an issue that might be portrayed simply with a view to its contents – the interesting case of a social liberalisation measure enacted by an autocratic ruler; but again, this focus would risk to overlook the code's role as a means of standardisation of legal practice and, in that sense, centralisation. As an indication of the latter, consider the fact that regardless of the actual legal programme – whether conservatism or liberalisation – up until the beginning of the Napoleonic era, the reach of traces of Roman legal traditions had survived in large parts of the French south, while remainders of Germanic legal traditions had still been influential in parts of the north, thereby limiting the reach of the political centre (Schrijver 2007, 173).

As much as he reformed the legal code as such, Napoleon therefore first and foremost set up a functional, unitary administrative system. In this sense, he managed to follow through much more decisively than the revolutionaries on some of their key goals. Again, the changes to the departmental structure enacted by Napoleon in 1800 made this apparent. While the departments had initially been governed by local assemblies electing their own departmental president, Napoleon's reform introduced the position of departmental prefect as the main executive, representing and acting on behalf of the French government in Paris – a pattern that was to be gradually reformed only in Mitterrand's decentralisation legislation in 1982.

After military defeat and the end of the Napoleonic era in 1814/15, the subsequent trajectory of French politics nicely demonstrates how the question of control over the unitary polity boiled down to the issue of controlling its centre. After the Vienna Congress, Bourbon restoration began in 1815 with France becoming a constitutional monarchy. However, running the state remained very much reliant on the Napoleonic legacy of rationalisation, and legalisation. Historians have pointed to high degrees of continuity in ministerial appointments in 1815 as a key indicator on the level of individual policy-makers, but the survival of the departmental structure is, once more, the most indicative aspect in terms of institutional design (an insteresting German perspective: von Thadden 1972).

These centralised continuities were to become even more pronounced as the 19th century evolved and other, fundamental aspects of French politics kept changing dramatically. As of around 1825, for instance, the growing conservatism – and the in fact absolutist inclinations – of Charles X paved the way for the July revolution of 1830, in which the Bourbon dynasty was eventually replaced by the Orleans (or July) monarchy under Louis Philippe. The bourgeois King of the French had previously been a successful businessman and therefore saw himself as a representative of the small-business and petite bourgeoisie constituency, partly in contrast to the rising caste of large industrial producers (Guérard 1959, 288f.).

This conflict provides good evidence for the unchanged centralism in the French political system, especially when compared to the German case, where regionally different orders of production seem to have been able to retain their respective organisational bases much better (Herrigel 1996), via effective mechanisms of pronounced local self-administration and subsidiarity. In France, however, the centralised structure of the political system did not allow for the self-governed, subsidiary preservation of these regional differences. This seems to have led to a situation where the risk of a political stand-off rises in Paris over the question of whose faction the king is. This was one aspect for the effective exclusion of the industrial bourgeoisie from the centralised execution of political power, hence over time joining forces with the disenfranchised middle, peasant and emerging labour strata of the population, as Louis Philippe remained opposed to parliamentarism and calls for social and economic reform. This pattern helped to provide the breeding grounds for the February Revolution of 1848 creating the Second Republic and President Louis Napoleon's promises of granting universal male suffrage and unemployment benefits (Guérard 1959, 299ff.).

Again, respective conflicts – whether over the electoral system or questions of social policy (see next chapter) – were fought out at the central level where they could quickly lead to violent confrontation. While in 1848 this had taken the form of revolutionary outburst, four years later, in 1852, the president-turned-prince-regent Napoleon III's coup, followed, by the implementation of a new constitution that marked the beginning of the Second Empire, with universal suffrage maintained but only gradually expanding parliamentary powers following their initial weakening (Zeldin 1971). However, leaving aside the questions of democratisation and parliamentarism, the tendency towards centralisation never ebbed away during the 19th century. As of 1852, departmental assemblies were allowed to raise their own budgets. After the French defeat against Prussia in 1870/71, the subsequent Third Republic saw the passage of departmental (1871) and municipal government (1884) reform acts. However, although the departmental assemblies were granted the status as sovereign authorities on all regional matters, the departmental prefects were still installed by the government Paris; and even if local majors gradually gained greater clout over running their municipalities – partly because they were supervised merely by the departmental sub-prefects – their role remained structurally trapped between the role as local notable on the one hand and representative of the central government on the other, well until the late 20th century (Cole and John 2001, 38 ff.).

6.4 Summary

The Napoleonic conquest of Europe marked a sharp departure from established, decentralised patterns in many parts of the continent. At the same time, this Napoleonic centralisation was very much in line with longer-standing tendencies in Europe's early-centralising polities.

It is therefore no surprise that from the perspective of centralisation vs. subsidiarity, the Napoleonic legacy remained in fact limited. Post 1815, the German lands returned to their splintering into multiple territories for another 65 years, achieving unification only under the preservation of established structures of subsidiarity; the Netherlands, interestingly, retained their (Napoleonic) unitary state structure, but only to see Belgium break away before then experiencing the rise of subsidiarity via *Verzuiling* in the rest of the country; and while France alternated restlessly between most different regime types, the dominance of Paris over the *campagne* was a key concern promoted by otherwise divergent rulers including absolutist monarchs, revolutionary assemblies, popular dictators, and democratically elected presidents.

These specific continuities in the organisation of the political realm did not remain without consequence for the experience of economic industrialisation and the concomitant emergence of the social question across Europe. The following chapter will now turn to just that issue: the co-development of the political patterns discussed so far with the evolving institutions in the economy in the context of industrialisation.

Indicator	**German lands**	**Netherlands**	**France**
Post-Napoleonic shape of the polity	Independent territories	Constitutional monarchy	Constitutional monarchy
Dominant type of governance (example), ca. 1867	Subsidiarity (*Bundesrat*)	Subsidiarity *(Verzuiling)*	Centralisim *(Départements)*
Shape of the polity, 1871	Confederated monarchy	Constitutional monarchy	Semi-presidential republic

Table 8: *Subsidiarity and centralisation in the long 19th century*

7 WORKERS AND EMPLOYERS: COORDINATING INDUSTRIALISATION (1806-1880)

This thesis has so far highlighted the continuity of the nexus between early forms of political decentralisation and the most basic variants of economic proto-coordination at the geographical heart of Western Europe. In this context, the previous chapter has demonstrated that subsidiarity remained a key societal principle, a central aspect of the organisation of political life in the wider Rhineland even in the age of emerging nation states during the long 19th century. The effects that these continuities had at the economy during the same period are the topic of this chapter. In a nutshell, the continued presence of subsidiarity in the societal and political realms enabled economic actors to hold on to and – crucially, with a view to the context of industrialisation – to expand on existing forerunners of coordination in their own, self-administered contexts.

While during the early modern period, the rise of integrated territorial states had arguably posed the greatest risk to existing, self-administered forms of proto-coordination, the main challenge in the long 19th century probably emanated from within the economy itself: it came in the form of capitalist differentiation, specifically the rising class cleavage between workers and employers (see table two in chapter one). As this chapter will point out, the survival of societal subsidiarity enabled economic actors to organise this transition by ultimately beginning to coordinate the interests of workers and employers, in many ways connecting to medieval and early modern, self-administered traditions among master artisans and craftsmen, as well as between resource extractors and miners. As opposed to this decentralised experience of industrialisation and the rising class cleavage, traditionally centralised political economies followed a different path. There, central political authorities continued to play a pronounced role in promoting either the top-down regulation or the liberalisation of the economy.

In practical terms, in regions characterised by subsidiarity, the room to coordinate which economic actors enjoyed first led to the implementation of company welfare schemes with at least basic forms of co-determination. The key point here is that these predated the introduction of the world's first public welfare scheme, Bismarck's social security legislation of the 1880s (which will be discussed in the next chapter). This perspective on the sequencing of events is different from the mostly still dominant view that the biggest

19th-century innovations in social policy were almost exclusively the result of political top-down imposition – in Germany, namely by Bismarck. In contrast, the picture emerging from the account in the interplay between this and the following chapter is one in which central political authorities did of course play a major role. However, local preferences for the preservation of co-specific assets in the context of human capital formation were pioneering the process, starting out, under conditions of subsidiary, in municipalities and regions. These developments paved the way, with private actors often pressurising higher-level authorities, for coordinating the wider economy during the 19th century. In contrast, it appears that the ideal-typical Bismarckian model, the top-down imposition of social and economic regulation during the 19th century, was much more characteristic of traditionally centralised political economies – most notably, and somewhat ironically: France.

This chapter will be structured along the established setup. A survey of the aforementioned developments in Germany will be followed by a look into the comparative Dutch and French cases, as well as a cursory survey of Western Europe. A brief summary concludes.

7.1 Germany: From *Knappschaften* to company welfare

We have seen in the previous chapter how around the middle of the 19th century, key aspects of political life in the German lands again largely resembled the situation during the early modern period. As will become clear in this subsection, the survival of subsidiarity structures in large parts of Germany went along with the preservation of proto-coordinated patterns in local economic governance.

Prussia provides probably the most interesting example for the workings of the decentralisation-coordination nexus under subsidiarity. In politics as well as regarding the economy, the East-Elbian political centre, Berlin, contrasted with local, economically advanced traditions in its Western possessions. These differences and their management through subsidiarity-based institutions became much more visible in Prussia than in the Southwest German cases such as Baden or Württemberg. The latter two remained independent states until 1871 and therefore continued to possess autonomous state governments overseeing their rather homogenous economies based on small and medium-sized craft businesses for much of the 19th century. Under the post-1871 federal setup of the

German Reich, they remained separate regional states. The process in which these south western states managed to retain their regional governance structures was thus much more straightforward than the situation experienced in the Rhineland and Westphalia: in Prussia, the interplay of East and West occurred within the boundaries of one territorial state since the beginning of the 19th century.

Estimates by historians provide us with a good understanding of how relevant the east-west divide was when the Rhineland and Westphalia in their entireties joined the newly enlarged Prussian state. Around 1800, as a result of the specific western setup extremely favourable to early industrialisation, the share of commercially active people among the Prussian population amounted to ten per cent west of the river Elbe versus only six per cent in the east. Moreover, the share of rural businesses in total commercial activity – an indicator crucial for the early development of a *Mittelstand* of small and medium-sized producers – was 50 per cent in the west and only 28 per cent in the east. Accordingly, while seven per cent of the western rural population were commercially active, this was only true of three per cent in the east (Kaufhold 1978, 66). As in the centuries before, this economic potential provided local authorities with additional political clout also during the 19th century, while the preservation of the self-administered economic institutions on which the region's comparably advanced businesses depended, could only function as long as politics allowed local actors enough space to organise their own affairs in relative independence.

We have already seen how at the beginning of the century, it remained difficult to achieve real political centralisation along the Rhine, even for Napoleon. Economically, this was mirrored in the extreme difficulties the French, who controlled the German Rhineland since 1794, encountered when trying to fully abolish the urban guild system there (Kisch 1989, 311 fn. 77). As a result, the initial French revolutionary free-market idealism was soon amended with institutions addressing coordination problems (Fitzsimmons 2010 chap. 1-3). On the Rhine's right bank, in the Bergisches Land, free enterprise was abolished again in 1808, and in Napoleon's Kingdom of Westphalia in 1809 (Kiesewetter 1989, 53). Arbitration courts in the Rhenish Niers Valley around Krefeld – crucial for the local small-sized silk industries – were reintroduced in 1811, as in the other German lands under French control. To make up for the abolished guilds, chambers of industry had already been introduced by 1803, a commercial code implemented in 1808, and a chamber of commerce established in Krefeld in 1809, which enabled local economic actors to lobby French authorities to preserve the traditional institutions of local industry (Kisch 1989, 192f.). The French goal behind the introduction of the chambers of commerce – which had indeed been to merely set up an institution consulting the government – did, in reality, never materialise in proto-coordinated Germany, where they quickly assumed tasks of local economic self-administration again (W. Fischer 1964, 18). Historians have argued that the lasting influence of many French institutions in the Rhineland was precisely a result of this factual openness for local traditions (Rowe 2003, 8f.). The result was that institutions guarding the investments of craftsmen in co-specific assets continued to play a central role in decentralised political economies such as the Prussian Rhineland. This trend would continue to characterise local German *Mittelstand* economies throughout the 19th century.

7.1.1 From guilds to chambers and mutual funds

Under pressure from Napoleonic expansion, the Prussian government had in the course of the Stein-Hardenberg reforms abolished the guild system in some provinces in 1806. Baden had done the same in the November edict of 1811. Most artisan vocations now merely required a trade licence (*Gewerbeschein*), which meant in principle that anyone paying taxes was free to choose their profession. The very different industrial codes in place across Prussia's regions were unified in 1845 when compulsory guild membership and the associations' right to ban competitors locally were also terminated. However, the overall picture of economic governance during this period seems to have been more ambivalent that these points suggest. The economic freedom from regulation achieved in one regard – for instance, by the abolition of outright guild restrictions – was balanced out by the introduction of new institutions providing largely comparable frameworks, albeit under the circumstances of the emerging nation-wide, industrialised economy. Tellingly, one key area in which the Prussian government quickly returned to outspoken regulation was the issue of vocational skills. Guild restrictions were removed, but already prior to 1848, the government had introduced the so-called proof of ability (*Befähigungsnachweis*) as a precondition to execute 42 artisan vocations. After successful craftsmen protests, this number was raised to 70 in the course of the revolution. The government also made the membership in modernised guilds, so-called *Innungen*, compulsory, while a formal proof of ability in front a board of examiners mandatory in these vocations. Moreover, craftsmen working within the newly emerging manufactures and factories were restricted to specific tasks in accordance with their training. It was only in the North German Industrial Code of 1869 – which would in 1871 be extended to the new German empire in its entirety – that restrictions on rural economic activity were lifted and businessmen allowed to own more than one business and train larger groups of journeymen at once. The *Innungen* lost their status as public authorities (Kiesewetter 1989, 54 f.), but subsequently regained them before the end of the 19th century. Regarding the organisation of business interest, and following up on the French experience, the first modern German chamber of commerce was founded in 1830 in Elberfeld and Barmen in the decentralised economic order of the Bergisches Land. Despite of initial opposition by the Prussian government against this allegedly French – and, specifically, locally self-administered – construct, these institutions grew steadily across Germany (Brand 1992). In short, one type of local economic regulation was abandoned (the guilds), but new forms (the chambers of commerce, for instance) were introduced.

However, from the perspective of this thesis, the most interesting aspect is the process in which respective, updated regulations came about. The case of the chambers of commerce highlights that based on subsidiarity, local interests in self-administration played a crucial role (see Will 2011 for a detailed account): for instance, it was the newly introduced Westphalian provincial estates that in 1826 called for the establishment of self-administered chambers of commerce in each Prussian district, with a general assembly of local representatives annually conveying in Berlin – a proposal that the Prussian central government quickly shot down. Similarly, the first Rhenish provincial estates demanded for the Prussians to hold on to the "French" system of chambers of commerce, which was equally rejected. What the Prussian central government in Berlin instead preferred was the introduction of so-called commercial corporations (*Kaufmännische Korporationen*), which had, tellingly, been introduced up until 1825 primarily in East-Elbian Prussia, in places such as Berlin, Magdeburg, Memel, Königsberg and Tilsit. In contrast to the Western chambers, these were endowed with rights of self-administration, but at the same time carrying the (today considered typically German) status as bearers of public tasks.

In brief, in a decidedly bottom-up process, local Rhenish and Westphalian business interests pushed for non-corporatist, self-administered chambers to gain a greater say over Prussian economic policy-making. Despite initial hostility or at best passivity, Berlin ultimately caved in, recognising the chances of sustaining and getting a greater hold over the new economic power base in the west. The outcome was a classical compromise, with the self-promoted chambers in Elberfeld and Barmen becoming the first newly introduced institutions of economic self-governance in Prussia, but under the acceptance of some of the Berlin-promoted, corporatist features such as the principal inclusion into the wider public administration. At the same time, members elected the chamber leadership, therefore guaranteeing continuity in terms of self-administered representation also under Prussian economic policy-making. In 1848, this Elberfeld model was expanded to all of Prussia, with self-administration right further strengthened: the government lost its previous right to nominate a commissioner leading the chamber under certain circumstances, while members' information rights were strengthened. Similarly, in 1870, the government lost further control rights while the chambers expanded their function beyond mere reporting on the state of the economy, now acquiring a formal role in economic policy-making. Unlike in France, the introduction of cambers in Prussia did not follow any central plan to further economic activity, but rather the gradual, locally sponsored expansion of self-administered chambers dating back at least to the Napoleonic days in the Rhineland (Will 2011).

However, the issue of the chambers had only addressed the problem of businesses' self-administered influence on economic policy-making – in that sense following up on the medieval and early modern tradition of the by now abolished guilds. However, especially in the context of 19th century industrialisation, the question of continuity and change in the organisation of journeymen's self-administered insurance funds gained additional significance after the formal abolition of the guild system. Again, the abolition of the guild system may have been intended to curtail the influence local economic actors held over the regulation of their economies, but the locally specific solutions replacing the system under Prussian legislation still heavily reflected the continued presence of political subsidiarity.

This had consequences for social policy. Implemented in 1845, for instance, the Prussian industrial code crucially empowered municipal authorities to make membership in a local sickness fund mandatory for all journeymen instead of simply passing a state-wide, unitary solution. Financing continued to come from the journeymen alone, thereby further connecting to the established principle of self-administration. This Prussian system subsequently provided the blueprint for the nation-wide implementation of compulsory insurance coverage for all workers in 1883: under this system, mandatory municipal sickness funds were to be set up in every German town and commune. However, much like in the case of the chambers, the new system represented a compromise solution typical of subsidiarity: the local funds started out as specific institutions per profession, while existing funds were allowed to remain in place if their level of coverage was not lower than that provided by the municipal funds. All this was, once more, very much in line with the self-administered traditions of the abolished guild and journeymen system (for overviews see Ayaß, Tennstedt, and Winter 2012; Fröhlich 1976; Hänlein, Tennstedt, and Winter 2009).

Against this backdrop, although the period between around 1850 and the eventual formation of the German nation state in 1870/71 is usually referred to as the "liberal era" of Prussian politics, this should not be mistaken as a Prussian shift towards the outright deregulation experienced in other European countries. Instead, the continued presence of decentralisation and subsidiarity within Prussia's political institutions allowed for century-old traditions of local proto-coordination and self-administration to remain intact also after the formal abolition of institutions such as the guilds. Instead of fully overcoming proto-coordinated and self-administered traditions, therefore, the Prussian government effectively catered to and incorporated existing patterns of local economic governance. The outcome was a somewhat different industrialisation process in which small and medium-sized manufacturing businesses often either developed out of craftsmen's shops, or at least emerged within an institutional context that continued to benefit the provision of vocational skills in a manner comparable to the medieval and early modern guild economies (see Herrigel 1996 for further examples). This is also reflected in the political debates as of around 1860, with Catholic social thinkers such as the Archbishop of Mainz, Wilhelm Emmanuel von Ketteler, liberal social reformers such as Hermann Schulze-Delitzsch, and early socialists such as Ferdinand Lasalle all advocating different variants of coordinated answers to the emerging social question, but always with a focus on organisational autonomy (Catholics), self-help (liberals), and representation (socialists) – essentially all variants of the themes of self-administration and subsidiarity (van Veen 2009, 21).

We can draw two conclusions from the above. First, the example of 19th century business and worker' self-governance seems to be very much in line with the pattern we have witnessed over the span of previous centuries: when central governments became interested in regulating previously local economic matters on a larger scale, this agenda tended to clash with regional traditions of self-administration. However, under circumstances of subsidiarity – prohibiting top-down imposition and enabling shared monopolies of power – the ultimate outcome was often a compromise that maintained many of the local traditions of self-administration. Second, the 19th century pattern also seems to resemble previous experiences in that the political centre – which had initially watched local subsidiarity patterns with great suspicion but had to learn that they were difficult to overcome given the economic performance of locally coordinated regions such as the Prussian Rhineland – developed an increasing interest in connecting to these local patterns, partly incorporating rather than fully abandoning them. In the context of the construction of an integrated national political economy during the 19th century, what we therefore see is the first instances of subsidiarity structures not just being preserved on the local level, but instead "travelling" through the geographical-hierarchical space: These traditions became more and more influential beyond the boundaries of the West German *Mittelstand* world, instead beginning to shape also the political centre and its policies east of the Elbe.

Especially this latter point holds important implications also for emerging heavy industry – a sector that is usually said to have developed under the auspices of self-confident patriarchs eager to isolate themselves and their businesses from the regulatory reach of the state, as for instance in Herrigel's (1996) autarkic industrial order. While I agree with much of this claim – especially when it comes to the self-depiction of this burgeoning class of industrial leaders – a closer look reveals a more nuanced picture, precisely because emerging heavy industry in Germany did not operate in a space fully removed from older, locally coordinated traditions, which gained new salience under conditions of renewed subsidiarity. Once more, however, it would be wrong to picture the dynamics in heavy industry entirely as the outcome as come top-down process of political imposition, in which certain *Mittelstand* traditions were somehow forced upon heavy industry. Instead, the mechanism at play in this sector itself was ultimately not that different from the one in the *Mittelstand* in one crucial regard: considerations of human capital formation, coupled with the sector's own historical roots in de facto often decentralised, locally-run contexts, soon came to enable the emergence of basic forms of coordination. In this sense, the claim of heavy industrial autarky may be true regarding individual firm owners' aspirations; but their actual business activities may not have taken place entirely outside a wider organisational framework in which subsidiarity played a decisive role – as much as the self-confident industrialists may have distasted this reality.

7.1.2 Skills and company welfare

What did all this mean for worker-employer relations at the heavy-industrial firm level – ultimately the decisive unit of analysis for the self-confident patriarchs? For those large-scale companies that were closer to the old *Mittelstand* in terms of their production model (i.e. companies organised as large conglomerates but manufacturing more sophisticated, high-end goods), recent research by historians has argued that an interest in binding a skilled core workforce and pacifying labour relations explains the introduction of a pension plan at electricity company Siemens und Halske as early as in 1872, with remarkably positive effects on the firm's productivity (Kastl and Moore 2010). However, to further elaborate on the more difficult issue of heavy industry, let us turn to the traditional poster child of the (in many regards indeed) autarkic industrial order: Krupp in Essen, in Germany's heavy industrial heart land, the Ruhr. A closer look reveals that the picture may not have been entirely as clear-cut regarding Krupp and others' alleged entire hostility to any kind of proto-coordination. While this may have been true of the eccentric company owners' personally, the requirements of human capital formation quickly raised doubts over whether their stance was sustainable.

Having started copying British industrial advances like most German catch-up industrialists, the Krupp steel cast works in Essen in the Ruhr were forerunners in German corporate welfare precisely because their quickly evolving reliance on skilled labour. Much as in German industrial production today, this from of skilled labour was one that did not only rest on the existence of so-called white-collar workers which accounted for just about 10 per cent of the Krupp workforce around the turn of the century (Pierenkemper 1984). Instead, already back then, commentators highlighted that the German model of high-end production in heavy industry depended on comparably high levels of skills among ordinary workers (see for instance Wiedenfeld 1916, 41 ff.). As early as in 1851, long before the appearance of white-collar workers, the company had invented, patented and begun to produce its famous seamless railway tyres that continue to feature in the logo of today's Thyssen Krupp AG. Exporting this innovative technology from Essen to the thriving American market, Krupp could offer a sophisticated product that quickly left British and American firms with no other choice but to compete for the lower-quality market segments (Tweedale 1986, 207). Like chemicals producer IG Farben and in optician Carl Zeiss, Krupp started early to invest in his workforce's education (Beitz 1994)

The competitiveness of Krupp's high-end exports was made possible by the contributions of two crucial groups of workers: metal engineers and master metallurgists. Firms invested heavily in metallurgical schools as their demand for highly skilled metal workers continued to rise even through the severe recessions of the 1870s. Workers took the chemical and physicist knowledge they had acquired in these schools back to their companies and helped improve production. Via specialist publications, they engaged in exchange of the latest technical developments. Practical cooperation of these highly skilled masters and engineers led to significant increases in productivity, soon setting the Ruhr pig iron industry en route to challenging British industrial leadership. The resulting mechanisation of the production process, in turn, fuelled the creation of completely new categories of workers. For instance, the invention of Lührmann's slack notch increased wind pressure in the machine and rendered the breast pan obsolete. This triggered the development of specialist melters out of generalist metal workers as the new machinery facilitated production. There is evidence that the process of replacing many unskilled by few highly-specialist workers was mostly completed in the Ruhr pig-iron industry as early as in 1895 (Krengel 1983, 166 f.; see also Welskopp 1994; on the growing importance of engineers see Scholl 1978).

Alfred Krupp was well aware of the crucial role of these co-specific assets behind his success. He has been described as an industrialist with an effectively relational view of his own business as an entity that 'was not only products and productivity but a complex of materials, personnel, attitudes, and relationships' (McCreary 1968, 29). Krupp's active support of schooling in Essen, based on 'his realization of the immediate value to the company of training and technical education' (McCreary 1968, 42), match this description. Eager to capitalise on these investments in co-specific assets in the long run, Krupp in 1873 explained the introduction of an insurance fund for his workforce as an attempt to 'strengthen the fidelity and attachment' of the family and children of workers killed in the steel plant, 'so that these become in their turn wherever possible faithful workers and foremen' (cit. in McCreary 1968, 39).

Meanwhile, company welfare schemes at Krupp had started with a mutual workers' health insurance in 1836. Krupp provided contributions and an administrative framework from 1850 onwards. The benefits provided included sickness allowance, payments for treatment by a works doctor, drug prescriptions and a burial allowance. In 1858, a pension fund was established supporting Krupp workers either if after a minimum of 20 years of uninterrupted work for Krupp, their work incapability was certified in two surveys by the works doctor or in case they had suffered from an accident at work through no fault of their own (Neuloh 1956; Paul 1987).

Much like Krupp, its main competitor, the Bochumer Verein in the neighbouring town, also moved towards the high-end segment during the middle of the 19th century. In Bochum this equally coincided with the provision of company welfare schemes. The fact that the firm had started out in the 1840s providing the light-iron industries of the Bergisches Land with pig iron for the production of more sophisticated goods such as springs and files highlights the links with traditional *Mittelstand* patterns. However, the company quickly began to produce these goods itself and by 1852, it revolutionised the production process with the introduction of the cast steel method. Coordinated business strategies such as vertical integration promoted such technical progress more rapidly and allowed the Verein to apply it more efficiently than the its British competitors. Innovative production techniques such as the Bessemer, Thomas and Siemens-Martin processes were the outcome of this organisational pattern (Wengenroth 1994). As in the case of Krupp, productivity and quality-enhancing improvements went along with structural changes in the workforce. While workers had so far only stayed in town for a few months per year before moving back to their mostly rural hometowns (Kocka 1990, 433), Louis Baare, the Bochumer Verein's director after 1855, began to offer housing under corporate control and also invested in other welfare programmes for the workforce. Already in 1854, benefits for workers from the company's health insurance scheme exceeded those required under Prussian laws (Hilger 1996).

However, the nexus of innovative, skill-dependent production and corporate welfare went even further. Recent findings on the decisive role of state school education for Prussian catch-up growth (Becker, Hornung, and Woessmann 2009) suggest that already the first Ruhr industrialists were extremely dependent on at least basic skill levels among their workforce, although they were at this stage still merely copying British technology. This is reaffirmed by the example of Essen-based engineer Franz Dinnendahl, who first introduced British steam technology to a coalmine in neighbouring Bochum Langendreer. As contemporaries noted, he had set up a health insurance scheme for workers in his company with benefits paid up to six months as early as in the 1820s (Matschoss 1905). In nearby Hagen, multi-industrialist Friedrich Harkort, the "father of the Ruhr", had brought British textile, railway and steel-making technologies to Germany in the 1820s and, during the 19th century, actively campaigned for the introduction of welfare and education policies as a member of the Westphalian, Prussian, North German and German parliaments (on his life see Köllmann 1964; Thier 2007).

However, the presence of company-based welfare schemes intended to bind a growingly skilled workforce in itself is not enough to identify specific traces of proto-coordination in the heavy industrial sector. To shed greater light on the issue, we need to turn to the question of how these schemes were administered. As will become clear, the new heavy industrialists were indeed very eager to fight off any emerging patterns of workers' self-administration at their plants. At the same time, it seems that the price they had to pay for this was making inroads and becoming an actor in respective social insurance schemes. The real breakthrough then occurred with Prussian legislation on welfare schemes in heavy industry – a claim that may at first sight be in line with the autarkic view. However, much like in the case of the *Mittelstand* and the traditions of the medieval guild economy, Prussian legislation was itself built on the sector's own, pre-existing, proto-coordinated traditions represented by the brotherhoods, or *Knappschaften*. Let us take a look at these dynamics in slightly greater detail (on the proximity of heavy industry and the old guild economy see also Reichart 1992).

Since the middle of the 19th century, small and medium-sized craft businesses on the one hand and emerging heavy industry on the other came to overlap in in many ways. Ownership structures were one factor. In many parts of Europe, small enterprises run by landowners employing less than a dozen villagers were common in the early stages of the mining and metallurgy industries. Another case in point is the geographical proximity and resulting patterns of exchange relationships as well the subjection to comparable regulation between the mining and craft manufacturing sectors, as is demonstrated, for instance, by the heavy industrial Ruhr valley in the Rhineland and Westphalia and the bordering Bergisches Land with its traditions of small and medium-sized production (See above for the example of the Bochumer Verein). Moreover, much like in the craft trades, relatively advanced technology quickly came to play a crucial role in mining (Kellebenz 1974). However, the single most important aspect balancing the autarkic ambitions of early heavy industrialists were probably the own, self-administered and locally organised, proto-coordinated roots of the heavy-industrial core sector of mining. In this context, the miners' distinct employees insurance schemes organised in brotherhoods (*Knappschaften*) and dating back as far as to the 13th century, are an interesting case in point.

Based on these self-administered traditions, the 1856 Prussian 'Law on the Incorporation of the Miners, Steel and Saline Workers in Brotherhoods' rendered membership in these bodies compulsory. This effectively made the *Knappschaften* the first public workers' insurance scheme, but, crucially, based on locally self-administered traditions. The new regulation forced employees to contribute and, at the same time, defined minimal payments, with mine owners forced to pay 50 per cent of contributions and entitled to elect half of the representatives on the local board of directors (Guinnane and Streb 2010, 6ff.). Thus, it is safe to say that in the southern Ruhr, the actual Ruhr valley, where coal mining had begun as early as around 1300 and lasted until the early 19th century, coal miners were, just like artisans, organised in local proto-coordinated bodies even before industrialisation fully took off.

In at least two ways, this recalibration of our view on the roots of heavy industrialisation greatly matters for the argument of this thesis and the link between traditions of political decentralisation and evolving economic coordination under subsidiarity in the 19th century: first, although the emergence of heavy industrial forms of production did of course mark a significant departure from older models in many regards, there were forms of continuity in the proto-coordinated organisation of workers and employers' interests in this arguably so conflictive sector; second, and at least partially following from the first point, these older traditions allowed central-state authorities such as the Prussian government to in fact connect to existing institutional arrangements of coordination on the firm level when they began to pass respective regulation, rather than imposing innovation in social and welfare policy entirely top-down. Recall that schemes such as the one at Krupp in Essen predated Bismarck's public welfare legislation of the 1880s. It appears that already during the first half of the 19th century, the presence of subsidiarity traditions did not only allow locally self-administered actors to hold on to their proto-coordinated institutions as we have witnessed for the case of proto-industrial production in the early modern period, for instance; instead, it also seems to have allowed local proto-coordinated traditions to expand to higher hierarchical levels in terms of government regulation, and by that also to new economic sectors and geographical areas, rather than being imposed top-down from the centre.

7.1.3 Proto-coordinating heavy industry

How the expansion of proto-coordination beyond its local *Mittelstand* core worked in practice becomes clearer if we look at the earliest beginnings of state regulation for public welfare provision as represented in the Prussian industrial code (*Gewerbeordnung*) of 1845 (Haerendel 2001 ch. 3 for the following). Again, subsidiarity was crucial as the outright state provision of public welfare was still some decades a way at that point, and the legislation in that sense surely very basically regulated welfare provision in the private sector and on the local level. Right from the beginning, local authorities therefore played a crucial role. For instance, it were municipal authorities that were empowered to enact local statutes obliging all artisan workers – and as of 1849: also factory workers – to insure themselves against risks such as sickness (*Versicherungszwang*). Similarly, under the

Prussian mutual insurance law (*Unterstützungskassengesetz*) of 1854, regional governments (*Bezirksregierungen*) were empowered to force municipal authorities to introduce local statutes addressing the mounting social problems – a power of which regional governments made extensive use. Apart from building on local institutions' legislation, subsidiarity traditions persisted also in that the existing self-insurance mechanisms of the workers' movement and emerging factory funds (also see below) remained viable options for workers and employers to comply with the new mandatory insurance rule. While membership in some insurance was required, the industrial code of the North German Union (*Gewerbeordnung des Norddeutschen Bundes*) of 1869 granted the right of coalition to workers and thus allowed them to choose their specific health insurance.

What happened around the middle of the 19th century, therefore, was that after having privatised the mining sector, the Prussian state merely transformed into law the government's practice from the days when the state was still the operator of the pits. In this sense, the 1854 mutual insurance law was modelled on the example of the *Knappschaften* in the mining sector – including clear traces of proto-coordination. Under it, employers' contributions made up one third of the overall funds, owners and senior workers (*Knappschaftsälteste*) were represented on the funds' boards in equal numbers, and on the employee side, century-old organisational traditions were preserved: only permanent, fully-skilled and certificated workers (*ständige Arbeiter*) were allowed to elect the aldermen. While prior to the 1854 law, only the state-run railroad systems in Prussia, Bavaria and Saxony had possessed a history of brotherhood organisation comparable to the one of the mining sector, the mutual insurance law made this the blueprint for the heavy-industrial sector evolving around its traditional mining core – valid for all of Prussia, and subsequently the German empire.

Much as the *Mittelstand* possessed its guilded insurance traditions, the brotherhoods of the mining sector became the blueprint for wider heavy industry. However, how did the newly emerging, autarkic-minded, heavy industrialists react to these constraints on their autarkic self-perceptions? In short, they were extremely suspicious, trying to push back wherever possible. The 1845 industrial code was highly unpopular with these employers, especially due to the legal requirement to contribute up to one third of overall funding. By 1853, only 226 local statutes had been enacted, and only 58 of these had introduced mandatory employers' contributions. Instead, industrialists, especially in the Rhineland, set up factory funds in order to lower workers' mobility and bind core employees permanently to their firms (Haerendel 2001). In this sense, captains of heavy industry clearly resented outside interference with the way they ran their companies – but there is also the impression that they already began to face problems comparable to those of the *Mittelstand*, for instance, the risk of core workers' mobility.

Further adding to this awkward situation for the rising heavy industrialists was the fact that interference was not only coming from outside their conglomerates, in the form of 19th century politics connecting to the sector's own traditions of proto-coordination. Instead, industrialists like Krupp were also confronted with developing patterns of self-organisation among their own workforce. Again, Krupp and others resented these attempts, and found themselves in a much stronger position within their companies to crack down on them. However, as in the case of the surrounding traditions of proto-coordination, their attempts to push back seem to have taken the shape of making inroads into these institutions rather than abandoning them altogether. The case of the company welfare schemes at Krupp in Essen makes this point clearer.

Health insurance at Krupp started in 1836, as a scheme entirely paid for by the workforce. It received a clear administrative framework only in 1850 and provided sickness allowances, payments for treatment by a works doctor, drug prescriptions, and a burial allowance. Also run via the health insurance scheme was Krupp's pension fund, introduced in 1858. After a minimum of 20 years of uninterrupted work for Krupp, employees were eligible in case they became physically incapable of doing their job. The precondition was two surveys by a works doctor or having experienced an accident at work, which was not the employee's fault. The introduction of these company schemes occurred at a point in time when the rapid growth of industrial conglomerates posed a massive challenge for the still non-existent social systems of the towns and cities in which the new companies resided. For instance, the major of Altenessen, the village hosting Krupp, complained about the high numbers of disabled citizens in municipal care after accidents at Krupp (Paul 1987). In industrial towns such as Barmen (Wuppertal) and Dortmund, up to 50 per cent of the municipal budget was spent on care for victims of works accidents, in Düsseldorf 30 per cent (Breger 1982). However, with public institutions simply not in place to address these issues, the industrialists had to act – in this sense, a truly autarkic setup.

What is notable about the health and pension fund, however, are the restrictive eligibility criteria and the very basic coverage of these insurance mechanisms. While this can certainly be explained by reference to the early days of company welfare schemes in the 19th century, it should not gloss over the fact that specifications such as 20 years of uninterrupted service for Krupp also helped to maintain the company's (skilled) workforce at an early point in time. In this context, it is also interesting that the scheme was run by two bodies, and in both, workers were amply represented. Employees staffed two thirds of the members of the general assembly and 50 per cent of members on the managing board. The literature is divided over the degree of actual workers' involvement in the scheme's decision-making processes. While some historians have considered this form of workers' representation evidence of substantive levels of influence (Neuloh 1956), others have labelled it 'would-be participation' (Paul 1987, 100). However, what matters from the perspective of this thesis is that some form of workers' inclusion did exist in the administration of Krupp's company schemes as early as in the middle of the 19th century.

Interestingly, this very basic form of early co-determination seems to have remained confined to the company's health and pension scheme. Krupp appears to have cracked down on attempts of self-administered employee activities beyond basic welfare services – which may further underline the importance of a more cooperative stance in welfare provision. One counter example is the Kruppscher Konsum grocery store co-operative, founded by workers in 1866 to organise the supply of affordable groceries in a self-administered manner. Following the example of a similar co-op founded in neighbouring, equally heavy-industrial Duisburg in 1863, membership in the Kruppscher Konsum was also open to local artisans and the petty bourgeoisie. Krupp seems to have at first tolerated the co-op but took control in 1868 – probably precisely at the moment when his employees planned the scheme's extension to the entire area of the city of Essen. From then on, the Konsum was administered entirely by Krupp – the Mittelstand-inspired idea to limit Krupp's role to a mere capital investment was turned down as the heavy industrialist sought outright control over the shop (Paul 1987).

The bottom line is that at Krupp, very basic forms of co-determination seem to have remained limited precisely to the welfare services allowing the company to hold on to its skilled workforce. How effective these basic patterns of administrative employee involvement really were is one matter. Indeed, the class clashes in the heavy industrial sector up until WWI demonstrate that the growing labour movement forcefully pushed for further improvements, if not for outright revolution. However, what matters from the perspective of this thesis is that already during the 19th century, first, Krupp was confronted with proto-coordinated traditions that, as we have seen, formed the blueprint for evolving Prussian legislation; second, he himself seems to have been highly interested in holding on to his skilled workforce; and third, in order to achieve this latter goal, the patriarchal provision of insurance schemes do not seem to have sufficed – if nothing else, at least the impression of workers' involvement had to be maintained. The fight that many heavy industrialists put up to defend their own, unrestrained decision-making may have been so epic precisely because in fact, they tended to act under at times quite substantial constraints. We will shortly see a comparable pattern in the example of Bismarck's public welfare legislation in the political arena. For now, the key takeaway is that in its pure form, entirely autarkic top-down provision of company welfare services may have never existed at Krupp, the flag bearer of the autarkic industrial order. Under conditions of subsidiarity, even in the evolving heavy industrial sector, there seems to exist evidence that basic forms of proto-coordination also pertained to the evolving heavy industries of the 19th century.

However, the private provision of welfare would quickly reach its limits during the 19th century. Especially in heavy industry, the changing composition of the workforce, extensive immigration of workers from other German territories and from Eastern Europe, as well as the growing scale of production triggered frequent conflict and communication problems as a new logic of industrial rationalisation replaced the traditional habits of proto-coordination between workers and mine owners who had once knew their workers personally. The first miners' strike in 1872 was a novelty to a sector in which workers had been traditionally proud of their loyal obedience towards their caring employers. Following the big strike in 1889, it would become clear that the traditional, small-scale and firm-level modes of local interest mediation had become incapable of managing modern industrial relations (Adelmann 1962, 96 ff.; Tenfelde 1977, 573 ff.; Weisbrod 1990; Hartmann 1977). The answer was the introduction of public welfare schemes, of which the next chapter will reveal that workers and employers crucially pushed for this – not just the new German nation state under Bismarck's leadership. This subchapter has crucially prepared the ground for this story by highlighting that there is good reason to assume that subsidiarity- based, proto-coordinated private sector solutions to the rising welfare issue predated the German central state's political activity in this area. Let us now turn to our comparative cases.

7.2 THE NETHERLANDS: LIBERAL ASPIRATIONS, LOCAL COORDINATION

As for almost any place in Western Europe, the 19th century began for the Netherlands with the experience of centralised rationalisation under the rule of Napoleon and his Batavian Republic. However, in the context of the more detailed discussion of the development of the country's political institutions during the 1800s in the previous chapter, we have already seen how the brief period of French centralisation – the post-revolutionary Batavian Republic (1795-1806), the French-sponsored Kingdom of Holland under Napoleon's brother Louis I (1806-10), and outright annexation and inclusion into the French state (1810-13) – was quickly followed by a return to a subsidiary setup of the polity. While the country did not return to the outright merchant federalism of its Golden Era, especially the breakaway of the southern Netherlands into independent Belgium in 1830 clearly highlighted the limits to post-Napoleonic efforts of political centralisation.

For the historiography on the Dutch economy of the 19th century, political patterns of decentralisation and subsidiarity are an important feature. The main item of the debate is usually the country's late industrialisation and the question why after Dutch economic leadership during the Golden Age, the first advances towards the industrial revolution occurred in England rather than in the Netherlands. Indeed, the merchant and the agricultural sector dominated the picture in the first half of the 19th century, following a relative decline in urban textile production, and with the sparse traces of industry occurring mostly in the form of artisan manufacturing and largely organised in small businesses, with the notable exception some of the textiles industries in the Twente and Brabant regions, closer to the industrially advanced, Flemish north of Belgium. Around 1850, 44 per cent of the Dutch workforce were employed in agriculture alone, while only 24 per cent of workers made a living in industry. As a powerful strand of research has it, the 'decentralized political organization bordering on the chaotic' (Mokyr 1999, 11) explains the Netherland's laggard status. This had to be overcome first, by French and post-Napoleonic centralisation. With the Dutch polity allegedly looking more like Britain's, the Netherlands were finally in the position to catch up again economically, so the standard story has it.

7.2.1 Back to the guilds

We have already seen how the political reality in the Netherlands appears to have been different from the (liberal) ideal of alleged, outright centralisation, providing us instead with the interesting example of a unitary polity moving towards consociationalism through *Verzuiling* during the 19th century (see chapter six). Similarly, historians ascertain that the abolition of the guilds under French rule did not occur without serious resistance (for instance Mokyr 1999, 11 upon whose account I will base the following). This overall state of the Dutch economy in the first half of the 19th century has often been considered from the at least implicitly negative viewpoint highlighted above: why did large-scale industrialisation not occur? However, to the reader of the previous chapters it will come at little surprise that from the perspective of this thesis, that situation should rather be considered affirmatively, as an ideal breeding ground for the continued influence of patterns of subsidiarity and proto-coordination in the country's economy: sustained presence of small-scale industries, and incremental rather than abrupt, large-scale innovation. Add to the picture the track record of high wages and tax rates already established during the 19th century, as well as existing poor relief systems in the traditionally rich, urbanised Dutch economy (factors that had not gone lost on Adam Smith in the 18th century; see also chapter five), and the picture emerges of a country with ultimately low levels of investment in new technology (Mokyr 1999, 12).

This backdrop created a situation that can either be (normatively) bemoaned for its resulting lack of industrial revolution; alternatively, it can simply be analysed as having created an environment extremely conducive to the further preservation of existing structures of subsidiarity and proto-coordination in local economic life. And indeed, historians have pointed to the influence that government regulation. Guilds and municipal authorities continued to wield over the small-scale, artisanal labour relations in the Netherlands of the first half of the 19th century. It appears that corresponding with the resurgence of patterns of political subsidiarity was indeed the return of the guilds as soon as the Netherlands had regained independence from France. What followed may remind the reader of early modern attempts of dissolving the guilds (see above): William I passed a respective decree in 1818, which indeed sealed these institutions' fate in legal terms. However, local organisations of traditionally regulated crafts such as weighers, measurers, porters, and transporters looked a lot like their guilded predecessors, even beyond further liberalising legislation intended to crush economic monopolies in 1827 and later, in 1880 (*Wet op het Vervoer*). Crucially, in terms of the private provision of welfare, the traditional journeymen insurance funds survived even after the formal abolition of the guild system (de Munck, Lourens, and Lucassen 2006, 64). Again, due to a take-off in limited industrialisation that was even further delayed than in late-coming Germany, the question of large company-based welfare schemes also only arose towards the end of the century (see following chapter).

The picture of the Dutch economy in the first half of the 19th century that is emerging here looks a lot like the typical Rhineland case. Under conditions of political decentralisation and late or virtually absent heavy industrialisation, small and medium-sized business grew only gradually out of their early modern precursors. This subsidiarity-based environment provides the ideal backdrop for the preservation (in updated forms) of traditional mechanisms of proto-coordination. In that sense, the Dutch example of the 19th century brings us closer again to the conceptual (and scholarly well-established) considerations at the beginning of this thesis: it reminds us that the question of emerging varieties of capitalism is one that is closely entangled and often seems to get confused with that of early or late industrialization, including often normative assessments of good liberalization and centralization vs. bad, backward decentralization and preservation of overcome institutions. In contrast, the Dutch case – just like that of the German Rhineland – reminds us of the importance of different types of innovation. In their experience of 19th century industrialisation processes, the Netherlands as much as the German Rhineland were latecomers, displaying precisely the lack of inclination towards radical innovation – which took the shape of the heavy industrial revolution during the 1800s – that we would expect of modern coordinated economies. This, in turn, seems to have preserved local economic systems that slowly adapted to the new industrial realities, while preserving many aspects of their existing manufacturing, skills-based, often high-end, and proto-coordinated production models.

7.2.2 Late but skilled-based industrialisation

Due to its centrality within existing theory and in the context of this thesis, the issue of human capital once more deserves special attention in this context. This also serves as a reminder that the point here is not to counter the often-normative rejection of more regulated and more incremental experiences of 19th century industrialisation by instead glorifying an in fact backward economic model. Rather, the goal is to highlight that different, apparently quite stable equilibria of politico-economic organisation did exist, and that the type of innovation associated with the subsidiarity-based, proto-coordinated model continued to rely on skilled manufacturing workers – in contrast to proto-liberal model with its radical innovation. The latter seems to have relied on new, large-scale and mechanised production processes that could not have been devised without radical academic innovation in areas such engineering, chemistry and the like, but that could often be run with a less specific skilled workforce, because the processes radically broke paths with artisan manufacturing techniques. The point here, then, is to highlight that skills did well exist and played a crucial role in the Dutch economy of the 19th century, but that this form of knowledge-intensive production still took a different shape than that of the large-scale application of radical (academic) innovation on the revolutionised industrial shop floor.

Again, Mokyr's discussion of the Netherlands' delayed industrialisation directs us to interesting sources in this context, starting out from the university-focused argument in much of the existing literature. Many authors look back to the preceding 18th century, as an end-point of Dutch technological creativity, but nevertheless highlighting the quality of Dutch universities, the public interest in useful knowledge, the popularisation of Newton's findings by Dutch scholars such as Willem s'Gravesande as well the contributions by academics such as Boerhaave and Musschenbroek. Still, there is the complaint in the literature that by the middle of the 1700s, the country's elites had simply lost interest in the crucial academic research into mechanics (Mokyr 1999, 13)

However, going beyond that essentially very liberal-centric view on a proto-coordinated place like the Netherlands, the other sources Mokyr directs us to provide evidence for the crucial role that private actors and groups seem to have played in the popularisation of scientific knowledge of the time – again, a subsidiary setup. Scientific societies such as the first one founded in Haarlem in 1752, the Batavic Association for Experimental Philosophy established in Rotterdam, the Felix Meritis society in Amsterdam or the Dutch society for chemistry all propagated the use of new techniques and conducted their own scientific experiments, while academics lectured on mathematics and applied sciences in high schools. Their efforts were supported by the in fact high levels of literacy and general education at the turn of the 19th century. This draws a more complex picture of the 19th century Dutch economy, where a different, more incremental type of innovation seems to have occurred not so much due to the lack of better alternatives, but apparently *despite* levels of education and the popularisation of new technological findings that may have also have allowed for more radical forms of industrialisation witnessed elsewhere. In terms of visible results of this setup, the Dutch were, for instance, able to construct their national railway system without having to rely on foreign (English) support in engineering; they also succeeded in some niche industries such as straw-based cardboard production within the paper-making sector, and, close to the important agricultural sector, sugar refining (Mokyr 1999, 15ff.)

In essence, the work by Mokyr and others on the Netherlands' status as a laggard of industrialisation in the 19th century points us to a production model not unlike the one we have seen in the German *Mittelstand*, based on artisanal manufacturing an incremental innovation. Just like in Germany, this did not simply mean later industrialisation (although this seems to be the focus in much of the literature), but from the perspective of this thesis, first and foremost: a different experience of that process during the 19th century. Once it did start to occur in the second half and especially the last quarter of the century, industrialisation still did pose a challenge for existing, localised and small-scale production models: the share of the workforce in the agricultural sector fell to 28 per cent by 1900 (as compared to 44 per cent in 1850, see above), while industrial employment rose from 24 to 32 per cent and the share of the urban population sprang from three to five million people over the same time period. As a result, depersonalised relations gradually began to replace the traditional artisanal experience also in the Netherlands (Mokyr 1999). However, based on unbroken traditions of subsidiarity, proto-coordinated traditions remained influential – interestingly also under conditions of a predominantly liberal political discourse.

7.2.3 Small-business coordination, no big companies (yet)

The previous chapter has already shown how Thorbecke's crucial reform of the Dutch polity marked a clear turn towards liberal parliamentarism (see chapter six). However, whether this also entailed an effective turn towards liberalisation in economic policy is all but clear. From the other end of the political spectrum – bourgeois liberalism instead of landed Junckerism – once more, the Dutch experience in a way connects to the experience of the Prussian Rhineland, or more generally of Germany's traditionally decentralised regions under conditions of a growingly influential Prussia during the 19th century. While Bismarck dreamed of imposing paternalistic welfare from above, in the Netherlands Thorbecke, in a generally comparable (though ideologically different) manner, perceived of politics as disconnected from society. In his liberal rather than conservative interpretation of this thought, this meant proposing regulation in 1851 that would strip the churches of their tasks in poor relief (and therefore of their political role), instead introducing a government scheme. The subsequent conservative government revoked this before the law had been passed, but in 1854, a respective Poor Law was eventually introduced. Meanwhile, it took until 1874 – when a more social-liberal faction had begun to emerge in Dutch politics, highlighting a further differentiation of the secular pillar of the

Verzuiling system – that the issue of child labour was finally addressed in respective regulation (van Veen 2009).

While all this may look like the typical *laissez faire* of a proto-liberal political economy, it has been highlighted that the real motivation behind this minimalist approach to social policy was a 'juridical belief in a distinction between the private and the public' (van Veen 2009, 47). It therefore has to be seen in the broader context of a society in fact deeply characterised by patterns of subsidiarity, against which Thorbecke and his camp stood up. Much like Bismarck in Germany from the conservative angle, the Dutch liberals may have prevailed on the level of the central government for some decades (ensuring limited progress on social legislation), but this can also be seen as a reaction precisely to the perseverance of proto-coordinated institutional structures on the hierarchically lower levels of society. The survival of guild successors and their funds through the 19th century has already been highlighted above. On top of that, local labour organisations and their nation-wide, sectoral counterparts started to form around the middle of the century in Amsterdam, in which especially skilled artisan workers such as carpenters, painters, masons, and typographs began to organise. Interestingly, following organised strikes in Amsterdam in 1869, attempts to form a socialist union nevertheless failed to attract the interest of existing, local labour organisations. More successful was the General Dutch Workingmen's League (*Algemeene Nederlandsche Werklieden Verbond, ANWV*) led by the furniture maker Bernardus Heldt and aimed at the reconciliation of capital and labour and lobbying for universal suffrage and better education. This essentially reformist association became the main union once the coalition ban had been lifted in 1872 (van Veen 2009, 48f.).

Education also seems to have remained key in those limited areas where industrialization took place on a larger scale, such as the textile industries in the Twente region. Given the Netherlands' late industrialisation, however, this is a topic that we will only turn to in the following chapter, covering the turn of the century. For now, proto-coordinated traditions of human capital provision appear to have remained influential in the subsidiary-organised Netherlands, leading to an experience of industrialisation that seems to have been very different from the liberal revolutionary encounter, and therefore more in line with the incremental Rhineland version.

7.3 FRANCE: *PLUS DE COPRPORATIONS DANS L'ÉTAT*

While much of the historiography understandably tends to focus on the very beginning of France's political history in the long 19th century – the French revolution of 1789 – the country's trajectory in the actual 1800s deserves at least as much attention. As the previous chapter has already demonstrated, the French experience of the 19th century is in many ways even more tumultuous than the revolutionary period and therefore highly interesting one. It oscillated between the Napoleonic empire, a return to constitutional monarchy that encountered the July Ordinances of 1830, followed by the Second Republic as of 1848, whose president quickly replaced it with yet another Napoleonic empire, which, in turn, lasted until the defeat of 1871, paving the way for the Third Republic. However, we have already seen how regardless of this quickly changing array of political regime types, political centralisation remained a key feature – and, in fact, a major goal for political actors – in 19th century France. As much as the German experience of that period was therefore one of continued decentralisation, largely independent of advances of stagnation regarding parliamentarism and democracy, the French encounter appears to have been one of continued political centralisation, almost regardless whether under populist tribunes or democratically elected presidents (see chapter six).

7.3.1 From weak to no guilds

From the perspective of this thesis, the French case therefore remains most interesting as a counter example to the Rhineland experience of continued decentralisation and subsidiarity. Up until 1789, guild structures in France had very much played the role of a tool utilised by the centralised monarchy to regulate the economy (see chapter five). In this sense, the idea that the French revolution broke radically with the corporatist traditions of the old regime when it abolished the guilds is only one way to look at it. A different perspective would claim that there was in fact a remarkable amount of continuity: for whether (pre-1789) Paris preferred the organisation in of guilds and similar bodies to direct economic activity in remote places, or whether the (revolutionary) government changed course and advocated *laissez faire* as the most effective way of running the country's businesses, there was hardly any doubt that the political centre remained firmly in the driving seat at any time, defining the *volonté général* – whether in an absolutist or a revolutionary manner – for the rest of the country and for society as a whole. Against the backdrop of the discussion in the previous chapters, it should become immediately clear that this setup was quite the opposite of the decentralised, self-administered, proto-coordinated Rhineland order – whether or not guilds were formally present or not.

Therefore, the most interesting aspect about the June 1791 Le Chapelier Act – from which the quote in the heading of this subchapter is taken – is less the fact that it abolished the guilds. Rather, the its most striking feature is the manner in which it does it, leaving no doubt about the fact that also under a radically different – in fact, a revolutionary – political leadership, nothing short of the societal reality in France would continue to be defined by the central government in Paris:

> There are no longer any corporations within the state; there is no longer anything else than each individual's particular interest and the general interest. It is not allowed to anyone to inspire citizens with an intermediate interest, to separate them from the public cause by means of an interest of the corporation (cit. in Kaplan and Minard 2004, 7, translation: CN)

Already in August decrees 1789, the national assembly had in the context of the abolition of feudalism not just stripped nobles and the clergy of its titles and privileges; the same went for any potentially proto-coordinated organisations including cities, provinces and companies, with all masters' and journeymen associations – and especially strikes – forbidden despite protests, while the permission to run a business was as of now exclusively granted by the state. In short, more striking than the abolition of the old order was the continuity in the idea of formulating the general (economic) interest on the level of the central state, in which the revolutionaries in fact greatly resembled previous rulers such as Louis XIV – as well as their successor Napoleon, under whom the ban on old regime institutions such as the guilds was confirmed. Napoleon did re-instate the *conseils de prud'hommes* in 1806, but beyond direct arbitration between workers and employers, their contribution to wider economic policy-making was at best advisory, and they remained crucially dependent on the central government (Recall the discussion of the example from Lyon in chapter five, also Minard 2002; Cotterau 1997; Kessler 2010). This is a feature of economic interest representation in France that we will witness throughout the country's 19th century history.

After the end of the Napoleonic era, France experienced restoration. However, the continued presence of centralisation in the political realm was mirrored by the sustained weakness of proto-coordinated institutions. This is even more impressing given that as a direct response to the revolutionary ideology of doing away with the old order, many reactionary thinkers advocated the re-institution of the guilds and related organisations precisely because they saw them as a useful means of returning to a more traditional and conservative setup of society. Examples include pamphlets and initiatives calling for an organic and hierarchical society based on the values of the monarchy and the family, in which guilds and related institutions could help to overcome the dangers of individualism and egalitarianism. Similar prescriptions in substance, although based on a fundamentally different angle on society, came from utopian socialists such as Claude-Henri de Saint-Simon, who advocated the re-institution of representative guilds as a means to overcoming the emerging class cleavage of evolving industrialised society (see van Veen 2009 for a good overview). Alone, these calls remained largely unheard, as there is no evidence that any of the successive French governments of the19th century would have rowed back on the ban on the guilds.

We have already seen from a political angle (see chapter six) how the effective exclusion of the industrial bourgeoisie from the centralised execution of political power, over time benefitted their rapprochement with the disenfranchised middle, peasant and emerging working classes of the population, uniting against Louis Philippe who remained opposed to parliamentarism and calls for social and economic reform – and how in in the February Revolution of 1848 Louis Napoleon became president precisely with the promise to grant not only universal male suffrage but also unemployment benefits (Guérard 1959, 299ff.). Given the coupling of the issues of democratisation and enfranchisement on the one hand and social reform on the other, it is no surprise that the 1848 revolution probably marks the point in French 19th century history in which the country came closest to some advances towards greater coordination of economic interests, with Louis Blanc advocating social workshops and his Luxembourg Commission in Paris, a revolutionary body in which workers and employers were represented in equal numbers, and Charles Fourier proposing his *Falanstère*, a cooperative uniting consumers and producers. These political initiatives yielded some short-term results, which took, for instance, the form of the introduction of the National Workshops and the courts of arbitration (van Veen 2009, 28). However, recall that revolutionary upheaval only lasted briefly, as did the ensuing Second Republic, before its President Louis Napoleon turned Emperor Louis Napoloeon III in 1852. By that time, the Luxembourg Commssion had long been dissolved – and Louis Blanc, tellingly, been put on trial (Fortescue 2005, 105).

However, the main point here is not even the short life and ultimate failure of these attempts of coordination under conditions of beginning industrialisation. Instead, the central issue to keep in mind is that even these limited initiatives tended to come from the political centre, in the sense that they did hardly grow out of pre-existing predecessors on the ground in the regions, but were set up by Paris radicals. They would have required on a benevolent state, or amenable political majorities in the capital, to make it to the stage of nation-wide rollout – a scenario that is from the perspective of this thesis of course rather unrealistic for the case of 19th century France with its centralized political institutions. Recall my argument that under subsidiarity, (proto-) coordination in many regards overlaps with decentralisation and therefore depends on the presence of respective patterns also in the political realm. In this sense, the French experience of the largest part of the 19th century already prepared the ground for the public welfare legislation right after the turn of the century, in which France's centralised, non-coordinated backdrop somewhat ironically proved to be the much better breeding grounds than Germany for policies that that came much closer to Bismarck's ideal of top-down regulation. That French 19th century contemporaries were at least not unaware of such interplay between political and economic organisation becomes clear, for instance, in proposals such as those by Pierre-Joseph Proudhon, a 19th century anarchist who advocated political decentralisation as a specific means to achieve a new, essentially self-administered and economic order which he, tellingly, dubbed mutualism (van Veen 2009, 29). Whether under the second empire or during the third republic, however, 'the Colbertist ambition never entirely left the corridors of French political power until it again became obvious under President de Gaulle' (Dormois 1999, 58).

Meanwhile, probably the most striking case in point for the relative absence of more coordinated solutions the growing industrialisation issue – despite the flurry of 19th century regime changes – is the different path of Christian social thought in France, especially if compared to its Rhineland counterparts (see also the following chapter for the consequences on public welfare legislation). Ever since the French revolution, a deep rift existed between Catholics on the one hand and the French, as of 1789 secular-minded, state on the other. In the Catholic camp, there were suspicions – probably not entirely unfounded, if we consider the motivations of conservative German state elites to be discussed in the following chapter – that any attempt of implementing public welfare policy were primarily designed to lure Catholics out of their religious constituency and bind them to the secular, post-revolutionary state instead (Leitner 2002, 383, also see below). One resulting, point of difference seems to be that French Catholic social thought appears to have remained much closer to the concept of patriarchy than in the Rhineland. French Catholic social thought during the 1850s and 60s was also much less easy than its German counterpart to challenge economic liberalism (van Veen 2009, 30). This was widely shared in French political circles, leading to an industrial policy that was neither committed to full-blown *laissez-faire* nor to pure competition: 'it merely resulted in the abdication of economic initiative to private enterprise' (Dormois 1999, 60). Another, more straightforward consequence was that even up until WWII, French party politics never possessed a meaningful social-Catholic force comparable to the German Centre (Leitner 2002, 383). To be sure, the hierarchical organisation of society was an idea not alien to Christian thinkers elsewhere. However, what seems to have set the centralised French example apart from the Rhineland setup is the relative weakness of its local dimension, which would have been reflected by the presence of a constituency of small and medium sized, *Mittelstand* businesses – the geographical environment out of which actors such as von Ketteler grew to prominence in the Rhineland, advocating updated forms of cross-cleavage coordination (see above).

If in French Catholic social circles, more coordinated ideas did emerge, it is quite telling that the individuals who heralded them promoted them precisely by reference to the advantages of the wider Rhineland model – thereby effectively advocating a system quite alien to centralised France. Among these advocates in the 1870s were Charles-René de la Tour du Pin Chambly and Albert de Mun, who had been exposed to von Ketteler's ideas during their time as prisoners in Aachen during the Franco-Prussian war of 1870, and, in de Mun's case, to Austrian corporatism during his time as a diplomat at the French mission in Vienna in the late 1870s (van Veen 2009, 32). 'The essential paradox of the social question in prewar France was that the more progressive reformers hoped as nearly as possible to imitate imperial Germany' (Mitchell 1991, 319)

However, just as Bismarck's ideas of centralised top-down imposition of economic and social regulation did hardly work out in subsidiarity-based Germany – and especially the Rhineland – attempts to somehow transplant elements of Rhenish proto-coordination into the French system yielded only limited results. Towards the end of the 19th century, when the *Mittelstand*-based Centre Party became a key political actor in the process of setting up public welfare on the other side of the Rhine, the Catholic social movement had to register the political failure of its proposals for permanent conciliation committees and arbitration courts, with merely voluntary arbitration instead introduced under the Lockroy law of 1892 (van Veen 2009, 32).

7.3.2 Little training, paternalistic welfare

Unlike in the previous Rhineland cases of Germany and the Netherlands, I am discussing the issue of skills and company welfare schemes under one headline for the case of France. This has two reasons. The first, most straightforward one is: there was simply little going on in terms of vocational training in France during the 19th century, especially once the (even previously hardly self-administered) guilds had been done away with by central-state regulation. Given that employers were also hardly interested, up until WWI, the majority of French workers usually started into their working lives without anything that would have resembled the large, regulated, vocational training schemes in place in the subsidiarity-based Rhineland economies (Cusack, Iversen, and Soskice 2010b, 8).

Without the specific element of political subsidiarity, the French variant of Catholic social thought remained focused strongly on hierarchy and the top-down provision of societal coordination, rather than the defence of local patterns of self-administration, given that the latter hardly seems to have existed to the same degree as in the wider Rhineland. This becomes clearer if we keep in mind that, on the one hand, the dominance of a liberal rather than an interventionist camp within French social Catholic thought of the 19th century, likening the company to a family in which the paternalistic owner acts as a *bourgeois-genitlhomme* caring for his workers. At the same time, this paternalistic programme quite well reflected the reality of early capitalist relations especially in French small and medium sized companies during the 19th century (Leitner 2002, 383), thereby pointing to the fundamentally different organisation of these producers from their counterparts in the Rhineland: while the Rhenish *Mittelstand* appears to have been a virtual hotbed of proto-coordinated relations between master artisans and journeymen, and the “danger” of paternalism only arose with heavy industry, paternalistic solutions seem to have been dominant regardless of the size of the company in France.

Consequently, there is little evidence of beginning co-determination on the level of emerging large companies. For the French economy of the 19th century, paternalism has been described as the dominant feature of company schemes (Stearns 1978). A comparison of management at 19th-century France’s largest companies in the minig sector, Anzin, and in metallurgy, Le Creusot, reveals that, interestingly, the demand for a stable core of a relatively well-skilled workforce may have been even higher in the mining than in the metallurgy company. In any case, however, both companies seem to have revealed strong patterns of intra-company paternalism – which of course included the provision of company welfare services, but in a rather top-down manner. This social relationship, attempting to form labour relations on the shop floor on the model of the family, has also highlighted for many of the emerging, large French employers, including not only Schneider in Le Creusot, but also the Baccarat glassworks, Michelin, de Wendel in Lorraine, Menier in Noisiel near Paris, and Motgolfier in Ardèche. All these cases have been described as prototypes of the paternalist factory (Reid 1985). Finally, this paternalism seems to have developed at a relatively early stage in France, despite the country's status as a laggard in the industrialisation process of the 19th century (de Gier 2014, 9). This, on the one hand, may have even given the country a lead vis-à-vis in the development of company-based welfare provision – but it also appears to have been closely linked to France falling behind in the switch to public arrangements (Baldwin 1990, 102). In any case, the picture emerging here blends in with the relative dis-interest in vocational training and the sustained absence of local traditions of subsidiarity.

7.4 Summary

Indicator	**German lands**	**Netherlands**	**France**
Dominant type of governance (example), ca. 1867	Subsidiarity (*Bundesrat*)	Subsidiarity *(Verzuiling)*	Centralism *(Départements)*
Preferences for vocational training	Strong	Strong	Weak
Guilds and successor organisations	Strong	Strong	Weak
Dominant organisation of company welfare	Proto-coordinated	Proto-Coordinated	Paternalist

Table 9: Subsidiarity and 19th century company welfare

This chapter has shown how under subsidiarity in the wider Rhineland, the first company welfare schemes entailed at least basic forms of co-determination. Strong business interests in preserving vocational skills in the context of human capital formation were intimately linked with the survival or return of the guilds or their successor organisations during at the beginning of the 19th century, as well as the emergence of roughly proto-coordinated company welfare schemes on the level of the newly emerging large (heavy) industrial enterprises. In contrast, it appears that the typical Bismarckian model, the top-down imposition of social and economic regulation during the 19th century, was much more characteristic of traditionally centralised political economies – most notably, and somewhat ironically: France. There, the central state activity to be discussed in the following chapter followed up on a local model of organising the economic realm which seems to have been largely characterised by the continued weakness or absence of guilds and emerging company welfare schemes based much more on paternalism than in the wider Rhineland. We will see in the following part of this thesis how this divergent experience of industrialisation in the 19th century up until circa 1880 crucially shaped the character of public policies implemented until WII.

PART IV: NATION-WIDE SUBSIDIARITY

8 Coordinating the national economy: Public welfare and industrial relations (1880-1914)

This last part of my thesis will deal with the construction of coordinated market economies from the last two decades of the 19th century up until WWI. Around 1914, the endpoint of the timespan covered in this chapter and my thesis, many of the most crucial ingredients of modern industrialised, coordinated economies had – thanks to the continued presence of subsidiarity in the wider Rhineland – risen from hierarchically lower to higher political levels, coming to shape also the newly emerging national, industrialised economies in this zone. Expanding on (i) the company welfare arrangements discussed previously (see chapter seven), these elements were: (ii) public welfare schemes; (iii) coordinated bargaining (both to be discussed in this chapter); (iv) pragmatic and consensual party politics (see chapter nine); and – finally briefly connecting to the most recent academic debate – first advances towards (v) electoral reform just before WWI, in the form of the introduction of proportional representation (see chapter ten). The following pages are intended to shed a light on the process in which these achievements were brought about, stylised in the five-stage model presented in the introduction of this thesis (see figure two).

Recall that following the introduction, we had started by setting the stage (part one of this thesis) with an overview of what we know about historical economic proto-coordination as well as political decentralisation up and down the Rhine (chapter two), followed by a depiction of the institutional complementarity between these two concepts, meaning effectively the presence of subsidiarity as a principle of societal organisation along the Rhine, as well as the lack thereof east and west of it (chapter three). We then traced the development of this subsidiarity setup – always in comparison with centralised, non-coordinated Europe – through the early modern challenges (part two) of state formation politically (chapter four) and proto-industrialisation economically (chapter five); and followed its modern trajectories (part three) by discussing the emergence of nation states politically (chapter six) and industrialisation economically (chapter seven). The bottom line was that despite large-scale changes in the specific mode of economic and political organisation over the centuries, the complementary patterns of political decentralisation and economic proto-coordination – under subsidiarity – persisted in the wider Rhineland at the geographical heart of Western Europe, while more centralised and less coordinated economies continued to characterise Europe to the west and east of this zone.

In a way, the thesis so far could potentially be read as a large-scale preparation leading up to this and the following, final substantive chapter, in which the actual emergence of some of the most crucial elements of modern coordinated economies will be discussed – the end point of a historical development that I have tracked, in broad brushes, over some 15 centuries, and the desideratum of my thesis. Shortly before WWI, the century old subsidiarity complex of local proto-coordination did not only come to shape the new national economies, via the introduction of public welfare schemes and the advancement of industrial relations towards coordinated bargaining, which will be discussed in this chapter. What is more, via political pragmatism – the topic of the following and final chapter nine – these local traditions ultimately seem to have begun to (re-)write the rules of the political game itself, in the nation states that characterise the political and economic order in Western Europe to the present day. It is at this point that my account ties in with the recent debate about electoral reform, to be briefly touched upon in the concluding outlook.

Although a clear division into dependent and independent variable is difficult to make when tracing 1,500 years of history of economic and political intuitions, the altered order of chapters in this final part of my thesis is, nevertheless, supposed to make my point about the bottom-up direction of the turn to coordination overtly clear: the more directly economic-coordination aspect in the form of public welfare and industrial relations will be discussed first, in this chapter. The following and final chapter nine will then highlight the implications in the political realm, namely the rise of political pragmatism. Another way to look at this structure is to say that it takes a central claim of historical institutionalism seriously: it reflects the crucial, actual historical sequencing of events. Again, this chapter on public welfare and industrial relations will be structured along the by now established lines: the discussion of Germany will be followed by the comparative chapters of the Netherlands – the other Rhineland case – and France – the much less coordinated centraliser. A brief summary concludes.

8.1 Germany: Turning rhenish

The 19th century had already seen the introduction of company welfare schemes. However, as solutions on the level of individual companies soon proved to be unable to address the challenges of industrialisation (see chapter seven), the implementation of public welfare policies was the answer towards the end of the 19th century – especially with a view to human capital formation. While it will become clear that this meant the introduction of elements of co-determination to industrial relations across the newly emerging class cleavage of labour and capital, this was only the first step towards the emergence of a coordinated market economy in Germany. Workers and employers began to move much closer to this when around 1900, they started to experiment with initial attempts towards larger, coordinated (wage) bargains. This finally also paved the way for political pragmatism, before the rules of the political game were re-written by the first electoral reforms, introducing proportional representation.

8.1.1 Public welfare: Below and beyond Bismarck

The motives of the political leadership were famously different from economic concerns. With Bismarck's public welfare legislation of the 1880s, the chancellor indeed seems to have aimed at fighting social democracy and completing in a top-down process the new, young nation state from within after German unification in 1871. This aspect long dominated German historians' view on the issue (see Schmoller 1899; Lütge 1931; Born 1960; Rothfels 1970 for the traditional take), and as discussed in the introduction to this thesis, this view seems to remain especially influential with many political economy and comparative historical analysis accounts of that legislation. However, as a broad strand of historiography – that by now can no longer be called entirely new – has shown convincingly, the degree should not be underestimated to which Bismarck's legislation in fact built on existing proto-coordinated traditions, economic interests on the firm level, and resistance against centralisation already ingrained in the political system – in short: patterns of subsidiarity. This is of course crucial for the argument brought forward in this thesis.

The history of Bismarck's social security legislation cannot and does not have to be re-written here. However, even a short recapitulation reveals the importance of bottom-up processes and the survival and in fact build-out of patterns of proto-coordination under subsidiarity. A crucial point in this context is once more the question of actual historical sequencing. Bismarck's political push for public welfare had important forerunners coming not from Berlin, but from *Mittelstand* areas in the Rhineland as well as active industrialists from that region. Unsurprisingly given their century-old traditions of locally self-administered proto-coordination among small units, authorities in the Rhenish subsidiarity heartland recognized the need for new public welfare arrangements already at a time when Prussian authorities were still pushing back.

The best example of *Mittelstand* regions spearheading towards self-administered public welfare schemes is provided by the Elberfeld system. In 1853, local businessmen, self-employed craftsmen and the town's mayor set up this scheme named after this *Mittelstand* community (today part of the city of Wuppertal). Among the textile and light iron producers in Barmen and Elberfeld in the Bergisches Land, proto-industrial, craft and skill-based growth had set in early in the form of a decentralised output system of home production (Kisch 1989). These developments had at a relatively stage begun to challenge the traditional rule of the guilds within towns and had fuelled the emergence of social conflict between self-employed craftsmen and out-putters (Hoth 1975, 15 ff.). Hence, the specific form of corporate welfare developed under the Elberfeld system can be seen as finding updated, reformed ways of organising proto-coordination under conditions of 19th century industrialisation (Gräser 2009). Under the system, the city was divided into areas of poor relief with one principal assigned to each of them. These supervised the work of about 250 voluntary social workers from the local notability, who each looked after not more than ten families. Their task was to continuously check the families' entitlement to receive a basic monetary allowance and to supervise their search for jobs. The scheme was paid for by the towns' income from municipality tax, and it was administered in a joint commission consisting of town councillors and citizens. The system quickly began to ease poverty, increasing per-capita spending for the poor while decreasing public per-capita contributions on poor-relief (Reulecke 1985, 65 ff.; also Köllmann 1960, 170). Hence, the system quickly became popular in places with a comparable economic structure along the Lower Rhine, for instance in Ruhrort, today a part of Duisburg, and Viersen (Ulrich 1986, 299 ff.).

The system was a voluntarily organised welfare scheme grown out of the decentralised *Mittelstand* context of small and medium-sized textiles production. The key innovation was that for the first time, the municipality was brought in as a player both in terms of organisation and funding to ease the mounting social problems triggered by industrialisation (Reulecke 1985, 65 ff.). Due to proto-industrialisation, Christian welfare provision had been rendered inadequate in cushioning the social impacts of industrialisation, yet in a *Mittelstand* region, individual firms were too small to provide sufficient welfare services. Organising jointly with municipal authorities was the only viable option in a setting in which the central government in Berlin, traditionally wary of the century-old corporate traditions in its Western provinces (Barkhausen 1954; Clark 2007), had introduced decentralising reforms after the 1848 revolution which championed the liberal principle of local self-help. In essence, this meant that the organisation of poor relief was entirely left to local actors. In regions where the *Mittelstand* industry had traditionally depended on co-specific assets, municipal systems would later become more and more sophisticated when after 1905, the more bureaucratised Strasbourg system was introduced in many German cities (Reulecke 1985, 67). For now, however, the key point to stress is that locally self-organised patterns of public welfare provision in the Rhineland long predated Bismarck's recognition of the problem in Berlin.

Sequencing also matters in another sense. The Prussian central government finally embarked upon its journey towards its famous legislation at a point in time when individual business interests from the heavy industrial sector as well as representatives of the newly emerging working class had long advocated it (for a conceptual take on the importance of employer's interests see Mares 2003). Among those initially moving in this direction was Carl-Ferdinand von Stumm-Halberg, a heavy industrialist and mine owner from the Saar region. A member of the North German Reichstag for the liberal Free Conservative Party, Stumm had already in 1869 pushed for changing the industrial code in a way that would have extended the mutual insurance law of 1854 with its *Versicherungszwang* beyond the heavy-industrial sector characterised by the Knappschaften (Umlauf 1971). The move certainly has to be seen in the context of the battle that autarkic-minded, heavy industrial producers like Stumm led with decentralised manufacturers over the institutional design of the evolving national political economy (see Herrigel 1996). Still, the heavy industrialists' *Centralverband Deutscher Industrieller* (CDI) did not only play an active role in social policy, as one of its leaders, Henry Axel Bueck (Bueck 1906, 44), proudly noted 25 years later by pointing to five committee meetings, three delegates' meetings and one general assembly devoted to the topic. What is more interesting is that the employers appear to have followed two main goals: keeping the financial burden on individual companies to a minimum while also preventing any solution that would separate workers and employers into individually organised groups – precisely the reason for Stumm to request the modelling of public pension and accident insurances after the proto-coordinated *Knappschaf-*

ten (Blaich 1979, 15; also Haerendel 2001). With a view to Bismarck, meanwhile, it is important to notice that the first initiatives towards a public welfare system – whether geared towards *Mittelstand* or heavy-industrial interests – did not originate in Berlin and the chancellery.

For now, however, Stumm's initiatives were struck down in the Reichstag, as were his subsequent attempts in 1878 and 1879 (Umlauf 1971). The same fate, Reichstag rejection, was shared by proposals from the Catholic Center Party's Count von Galen to introduce protection for female and adolescent workers, introduce industrial courts, expand the liability insurance law of 1871 and abandon work on Sundays, even though the Centre was as of 1881 the strongest group in the Reichstag (Blaich 1979, 14). Calls by the Social Democrats' leader August Bebel to introduce a federal accident insurance were equally struck down. It was only the *Bochumer Verein's* general director Louis Baare who in 1880 was able to convince Bismarck of his plans for a public accident insurance, which by late 1880 led to the first draft bill prepared by Bismarck's crucial aide Theodor Lohmann (Umlauf 1971, 47ff.). At the time when Baare petitioned Bismarck, only the liability insurance of 1871 existed, covering exclusively workers in mines, factories and the railroads. Workers had to prove their employers' responsibility for any accident they wanted to be reimbursed for, while events due to force majeure were not covered at all. The result was that some 80 per cent of accident victims received no payment from the private liability insurances offered by the companies, depending instead on company welfare schemes or municipal poor relief (Blaich 1979, 16). For Baare, this situation had the negative consequence of intensifying the conflict between workers and employers and, crucially, made employers the object of court rulings. In contrast, a solution under public law was virtually the opposite of the liability clause in private labour law, ensuring self-administration. Moreover, cheap or even cost-free administration through the state and its regional branches was tempting, while unitary funds on the national level minimised risk exposure and costs. If the agrarian sector could be included as well (which was indeed achieved during the 1880s), this would not only increase the inflow of public funding but also ease the industrialists' reputation for the new employment practices often considered immoral at the time (Breger 1994).

Finally, bottom-up aspects were not only reflected by the fact that Bismarck's legislation historically followed up on earlier *Mittelstand* practices and demands from private businesses and socialist as well as Catholic workers' representatives. Instead, the ultimate design of Bismarck's public welfare institutions to a large degree incorporated elements of proto-coordination and subsidiarity; this counts already for much of the substance of the initial draft bills, and is even more true of the eventual legislative outcome, after changes pushed through by actors such as the regional states of the German Reich and the opposition in the Reichstag, including the Catholic Centre Party.

In this regard, it is important to note that Bismarck's initial draft bills for the introduction of a public accident insurance failed to garner the required political support in the Reichstag twice before finally being passed – only after Bismarck had reverted to engineering additional public pressure by involving the emperor who, upon Bismarck's request, famously made the introduction of public welfare his personal agenda in 1881. When the third draft bill for the accident insurance was finally passed in 1884, it introduced so-called trade corporations (*Berufsgenossenschaften*) as the self-administered bearers of the new scheme. These bodies were essentially organised along different crafts and equipped, for instance, with surveillance tasks aimed at risk prevention. The law also included some watered-down stipulations on worker representation, but the literature has correctly concluded that the *Berufsgenossenschaften* as the key bearers of self-administrations consisted only of employers, thereby reflecting heavy industrial interests (Mares 2003, 71ff.).

Meanwhile, during the parliamentary procedures, the Reich's financial contribution to the scheme, which Bismarck had initially envisaged as a tool of internal, centralised nation-state formation, was downgraded to merely a financial guarantee after fierce resistance from the regional states and especially the Catholic Centre Party concerned with the principles of federalism and subsidiarity. At the same time, parliament ensured that some tasks assigned to the newly-created imperial insurance office (*Reichsversicherungsamt*) could be assigned back to the regional states' equivalent offices (Umlauf 1971, 58ff.). In this sense, the final outcome had moved away from Baares initial draft in that it no longer contained any direct contribution from public budgets; but it had in a way also moved closer again to his initial ideas which had never envisaged a role for the Reich which Bismarck was so eager to ensure, but rather contributions from local municipalities (Blaich 1979, 17).

The presence of continued subsidiarity in the legislative process is an important key to understanding the self-administered outcome in the accident insurance legislation. We have already seen how instead of simply centralising political power in Berlin, the growing importance of the Reichstag in the newly founded *Kaiserreich* and its internal federalisation did in fact create patterns of managing complex, often blurry and contested power monopolies between different political hierarchies so typical of subsidiarity, the form of societal organisation in the middle of outright federalism and unitary centralisation. For the case of accident insurance, Henrich-Franke (2011) shows that especially the Reichstag's committees (*Aussschüsse*) served as fora for coordinating compromise, among members of parliament, but also between the different regional interests they represented, as well as with the representatives of the regional states, who were equally involved on this level. This is important not only in terms of the process of policy-making (as we would expect with Cusack, Iversen, and Soskice 2007), but it also matters for the policy outcome, given that it was precisely at this stage that crucial elements of subsidiarity made it into the new legislation, including the ability for the regional states to set up their own supervisory insurance authorities (*Landesversicherungsämter*).

This result represented a compromise after the regional government of proto-coordinated Württemberg in the Upper Rhine had (unsuccessfully, in the end) opposed the creation of any nation-wide office altogether. Similarly, the eventual legislation established an imperial as well as regional states' insurance institutions (*Reichsversicherungsanstalten* and *Landesversicherungsanstalten*). This was a crucial, typically subsidiary compromise preserving regional influence on the one hand, while also balancing the sheer size of Prussia by creating one nation-wide institution, as Prussia may otherwise easily have outperformed smaller regional states by providing lower tariffs – a key concern for other states, including for instance Bavaria, with respective initiatives documented both from the regional state's government as well as from Bavarian members of the Reichstag (Henrich-Franke 2011). This outcome is important with respect to the role of subsidiarity for establishing proto-coordination also on the emerging level of nation-wide public policies, even if the *Berufsgenossenschaften* represented only employers: the strengthening of the subsidiarity aspect in these new institutions of self-administration ensured representation of different local production regimes. These were, as we have seen throughout this thesis, the crucial bearers of proto-coordinated traditions. And as we will see below, they gave rise to often quite different business interests. In this sense, the mere presence of subsidiarity – even in an institution representing only employers – increased the chances for preferences for proto-coordination to be represented on the new national level, instead of losing out in a political fight. It is by highlighting this subsidiarity-based logic that the analysis in this thesis attempts to go beyond Mares' (2003) excellent account.

Even before the passage of the accident insurance legislation, Bismarck had moved towards the implementation of public health insurance. What is crucial in this context is that the government had clearly learned from the – at this time still on-going – political stand-off over the accident insurance. By 1883, the health insurance law had sailed through the Reichstag in a comparably smooth manner, given that Bismarck had from the beginning presented a draft bill that built the new public system largely on its proto-coordinated roots based on subsidiarity: the existing, locally mandatory insurance funds from the 1845/49 legislation (see above) remained intact in that they would be merely pooled into new, local funds (*Ortskrankenkassen*). All other existing schemes – labelled auxiliary funds (*Hilfskassen*) in 1876 legislation – such as the brotherhoods, but also factory and other vocational schemes were to remain fully in place as long as they complied with newly introduced, minimal standards. The draft bill's explicitly stated goal was to incorporate rather than abandon existing structures. The scheme was to be funded by contributions only, with one third coming from the employees and the remaining two thirds from employers. It has been noted in the existing historiography that it was precisely this decentralised setup – probably best reflected in the absence of any financial contribution from the federal budget – that guaranteed the approval without major changes which the draft bill secured in the Reichstag (Umlauf 1971, 56f.).

Despite their autarkic tendencies, employers also made sure that they would be incorporated into the newly emerging structures. For instance, the first governmental draft for the health-insurance bill had offered only a consultative role to employers in the administration of the funds. Following these plans, employers would have occupied only one third of all seats in the general assembly and the managing board. However, employers successfully opposed these plans, and some scholars have concluded that they would have probably even been willing to contribute more if this would have enlarged their say (Breger 1982). Moreover, employers accepted a strong representative role for labour: employee representatives came to control a two-thirds majority in the bodies controlling the health insurance funds; about one in four German union members would soon serve on the board of a sickness fund (Manow 2001a, 24).

Following the accident and health insurance schemes, the public old age insurance of the late 1880s was the third and final step completing the edifice of public welfare schemes, shortly before the end of the Bismarckian era. In contrast to the two previous milestones, existing proto-coordinated institutions were hardly available in this area; but it appears that at the same time, the social security legislation that had been passed during the previous years in areas where subsidiarity-based precursors did exist (namely the accident and health insurances), came to serve as a blueprint also for the old age and invalidity scheme. First, the draft put forward by Bismarck's government in late 1888 already envisaged a scheme that contained many subsidiarity-based and coordinated aspects of the previously passed public insurances. Second, the subsidiarity enshrined in both the political intuitions (i.e. for instance the involvement of the regional states via the Bundesrat) as well as the in the politics (i.e. the party-political majorities in the Reichstag favourable towards preserving precisely these majorities) further pronounced the subsidiarity-based and coordinated aspects of the legislation.

This pattern became especially clear in the Catholic Centre Party's successful resistance against the initially envisaged three-way split of contributions between workers, employers, and the state; much like in the case of the accident insurance, Bismarck's plans of internal nation-building via state contributions were scaled down in the sense that in the final scheme that entered into force in January 1891, workers and employers financed it by 50 per cent each, with the Reich merely subsidising every individual pension with 50 marks. The Centre had also – in this case without success – spoken out against the inclusion of artisans and agricultural workers, arguing along clearly subsidiarity-based lines when highlighting that sufficient, self-organised schemes were available in these sectors that made state legislation unnecessary there. In the context of Bismarck's social security legislation, the Centre already made ample use of its slightly more integrated status (if compared to Social Democracy) as the representative of an embattled minority (see Wattler 1978 specifically for the Centre's stance on welfare, as well as the discussion of the party's position in Wilhelmine politics below).

The opposition of the Social Democrats against the legislation went beyond the Centre's in that it rejected the scheme altogether as an inappropriate and tactically motivated attempt to appease the working classes (Umlauf 1971, 64f.). This positioning reflected the role of the Social Democrats as at that point still anti-systemic opposition movement – effectively the pariah of Bismarckian politics. However, as a brief look (one decade) ahead reveals, even after the completion of Bismarck's system and the departure of the hugely divisive chancellor, the Social Democrats continued to oppose further social security legislation including the first ideas towards unemployment insurance, which were discussed in 1893 and 1884 in conferences of the social democratic SPD. Political posturing and fundamental opposition should of course not be ruled out as explanations, but ideas of self-governance and subsidiarity also seems to have played a role, with the Social Democrats eager to defend the tradition of the so-called Ghent system (named after traditionally proto-coordinated Flemish city where it was invented), under which insurance funds self-administered by the unions and therefore in the tradition of comparable journeymen institutions continued to exist, rather than the state (even if only in the form of local municipalities) gradually making inroads into the system as under the Elberfeld scheme discussed above (Führer 1990).

The elements of subsidiarity and coordination in this previously largely unregulated area had also already become obvious in the government's initial draft, which proposed the creation of public insurance authorities in the regional states (*Landesversicherungsanstalten*) and would be supervised by the regional states insurance offices (*Landesversicherungsämter*) as well as their nation-wide counterpart (*Reichsversicherungsamt*). Furthermore, the government's bill envisaged the payment of pensions via local postal authorities. The legislation that eventually entered into force in 1891 remained in line with these fundamental inclinations towards subsidiarity, which became obvious in specifications such as the crucial role it assigned to local, public but legally independent insurance institutes running the old-age and invalidity insurance scheme in their respective regional areas. Municipal and/or regional state authorities in turn, backed these up via guarantees.

Two main points should at this point have become clear about the social security legislation of the (long) 1880s: first, despite the much-studied motives that made Bismarck take on a crucial role in the legislative process, the push for this political and economic innovation came from "below" as much as it did from the central state's leadership in Berlin – from heavy industrialists' crucial preparations to key changes and amendments brought forward by the regional states and representatives of constituencies with a keen interest in subsidiarity and local coordination in the Reichstag (more on this latter point below). It is therefore, second, no surprise that the resulting edifice of public welfare institutions connected to – in some cases: century-old – traditions of proto-coordination based on subsidiarity in its organisational structures. In an important side-note, the political process during the 1880s, and the insistence on precisely this aforementioned outcome by (new) political actors firmly rooted in subsidiarity – most importantly: the Centre and its MPs in the Reichstag – also highlights that under changing political and economic circumstances, individual political players continued to be responsive to the continuous existence of the subsidiarity-coordination link.

Subsidiarity and coordination prevailed over whatever ideas Bismarck as well as paternalistic actors from heavy industry may have had in mind when they started the process in the early 1880s. Historians have long highlighted that the resulting system can hardly be considered paternalistic in the autarkic, heavy industrial sense (Ullmann 1979 who, however, focuses on heavy industrialists and therefore concludes that entrepreneurs had an at best ambivalent influence on welfare legislation, hence effectively omitting the *Mittelstand*). The dissatisfaction that the eventual social security system seems to have quickly caused among many heavy industrialists (on this see especially Paster 2013) points to the system's coordination and subsidiarity-based rather than autarkic shape. However, in his review of the literature, Hennock (1998) adds the important point that these occasional criticisms reflected in public statements came from interest groups trying to influence policy from the outside – which says little or nothing about (heavy) industry representatives acting as government advisers at the core of drafting the actual legislation. Finally, we have to take into account that many heavy industrialists were wary of plans for state-run, mandatory welfare schemes because they feared the consequences for their existing company schemes, which they had set up precisely with a view to human capital formation, in order to tie a loyal core of workers to their companies. However, once the public welfare legislation instigated by leading heavy industrialists was on track, the sector's industrial organisations (*Verbände*) eagerly pursued employers' involvement via representation and self-administration; on the flipside, it appears that employers often criticised workers' representation not per se, but rather because, as in the case of the public accident insurance, workers' representation in the administrative bodies was not matched by a similar balance in the structure of contributions between workers and employers (Blaich 1979, 14ff.).

Beyond the two aforementioned points (bottom-up processes and the survival of coordinated structures), however, the discussion of the public welfare legislation of the 1880s also highlights some previously unseen developments. Recall that we had already for the early modern period identified a remarkable endurance of proto-coordinated structures where they were reinforced by the presence of political decentralisation, thereby creating the crucial subsidiarity setup. However, going beyond this, what we are witnessing in the case of the 1880s social security legislation is a new, much more dynamic moment, with subsidiarity structures beginning to "travel" hierarchically as well as, by extension, spatially. With a view to political hierarchies, Bismarck's legislation (to the extent that it really should be considered mainly his) represents a new case in that the setup of new, nation-wide institutions such as, for instance, the network of nation-wide, regional and local

Versicherungsämter and *-anstalten* is modelled clearly on the subsidiarity-based traditions of proto-coordinated regions, but passed for an entirely new, higher political level, the new German nation state. Whatever the potentially less empathic embrace in heavy industry may or may not have been, the self-administrative logic of the *Mittelstand* did become a regulatory reality for much of the German economy during the 1880s. In other words, the public welfare legislation goes beyond merely preserving and incorporating existing subsidiarity structures, by instead setting up new ones beyond the traditionally proto-coordinated core. Consequently, the spatial result is that after centuries in which subsidiarity managed to withstand onslaughts from centralised regions, by the 1880s, a new, decidedly decentralised, proto-coordinated – in short: subsidiary – system such as the evolving German welfare state was applied to traditionally centralised regions such as Prussia east of the Elbe. This makes the welfare legislation of the 1880s a watershed precisely in the opposite of the mostly centralising perspective through which it has long been considered. Instead, Germany as a whole started to turn into a coordinated, subsidiarity-based Rhineland economy.

If nothing else, this latter point also reminds of the rationale for the case selection in this thesis: the German case deserves specific attention precisely because it is hardly being analysed as a national case here, but as one of the interplay of different sub-regions which each reflect different models of organising the political and economic space across Europe, but merged into one nation state since 1871.

8.1.2 Industrial relations: Growing cohesion

With a view to the proposed five-stage model, the result of the public welfare legislation of the 1880s was that by 1890, proto-coordinated traditions had made it from the level of individual companies to the next, hierarchically higher level, that of government policy. However, with companies and the government as players involved, this still tells us little about the wider societal organisation of the national economy along the lines of coordination and subsidiarity. Against this backdrop, the first advances towards organised industrial relations and coordinated bargaining are crucial as the next step towards lifting coordination to the public sphere of the new nation state's economy.

The starting point was provided by the shortcomings of purely company-based or government-sponsored solutions – even if both did include worker and employer representation, as we have seen. These schemes could help employers bind a skilled and experienced workforce to their companies, but what they could hardly ensure was the overall competitiveness of this high-end production model. Ironically, once more, some employers from the seemingly all-autarkic heavy industrial sector in the Ruhr were among the first to make that experience. A very interesting case is that of Emil Kirdorf, director of the Gelsenkirchen Coal Mining Corporation (*Gelsenkirchener Bergwerks-AG*) who appears to have ended up negotiating with the unions in 1907 – although to no avail (Ullmann 1977). However, how did he get there? What seems to have been crucial was Kirdorf's experience in managing the GBAG during the economic downturn already in the middle of the 1870s. To fight the recession, the owners of the labour-intensive mines in the Ruhr cut their workers' wages. However, as employers cut the piecework (*Gedinge*) rate by which miners were paid, the workers increased their efforts, pushing up output levels to maintain their levels of pay. The result: overproduction persisted, the mines remained unprofitable, and the miners' handling of dynamite under increased cost pressure was extremely dangerous. This seems to have made Kirdorf an advocate of more stable pricing levels for coal and more reliable, minimal pay for his workers. As competition theory would make us expect, this of course paved the way for the creation of a cartel of coal producers (Kleeberg 2005, 18ff.).

However, much more important from the perspective of this thesis are two other aspects: first, Kirdorf's safety concerns can again be read as pointing to the increasing need for skilled workers even in heavy industry – especially as coal mining travelled north in the Ruhr, searching for coal in ever-deeper mines. Generally, mining techniques became more and more sophisticated around the turn of the century, with mine owners now willing to invest more money and more technical knowledge than ever before. One example is that of Friedrich Grillo and Irish financier William Thomas Mulvany, in honour of whose native Ireland a number of mines in the Ruhr were named, including Hibernia, Shamrock, and Erin in Castrop. Grillo bought Erin cheaply 1882 after it had flooded and been abandoned, to drain and return it to production (Kleeberg 2005, 21) – a business model unthinkable without the application of sophisticated engineering skills. The second point of interest is that the question of pay for workers in large companies such as mines was something that could only be solved via collective, coordinated agreements.

However, cross-class coordination first required the organisation of individual interests of on either side of the capitalist cleavage. In this context, the trend toward the creation of *Verbände* during the 1870s had been important. The emerging heavy industrialists organised in the Association for Furthering the Joint Economic Interests of the Rhineland and Westphalia, founded by Krupp and Thyssen, again with the support of Mulvany in 1871, and pragmatically dubbed 'Long Name Association' by Bismarck (Pierenkemper 1979). In 1873, Louis Baare of the Bochumer Verein founded the Association of the North-Western Steel Industry, which expanded in 1874 to become the Club of German Iron and Steel Industrialists. The Upper Silesian heavy industrialist Karl Richter became its president and Henry Axel Bueck, at the same time managing director of the Long Name Association, was named general director. Building on these roots, the main business association of Wilhelmine Germany, the Central Association of German Industrialists (*Centralverband Deutscher Industrieller, CVDI*) was founded in 1876 when heavy industrialists, facing the deep recession of the 1870s, lobbied for the introduction of protective tariffs, a goal reached after just three years in 1879 (Ullmann 1976).

However, the association did not diisolve once its mission had arguably been accomplished. The CVDI and other, smaller associations were part of a quickly growing network of public-private institutions designed to provide heavy industry with public goods such as political representation (Kaelble 1967; Jaeger 1967; Varain 1973). Bismarck had initially intended to use these new *Verbände* for his goal of substituting parliamentarism with a culture of corporatist representation, as part of his vision of a conservative, monarchist state, but this plan failed due to both parliamentary as well as employers' resistance (Abelshauser 1984). In fact, the case of the CVDI highlights the development of interest groups influencing state policies. While in 1893, 72 per cent of its members had been notables not representing a specific firm, this share decreased to 33 per cent in 1912. During the same period, the ratio of actual business owners or managers rose from 28 per cent to 67 per cent (Kaelble 1971). This was the opposite of an association serving as a means to renew monarchy, as Bismarck had intended. Instead, it provided for growing levels of organisation among the seemingly autarkic heavy industrialists, a key pre-condition for coordination with workers. The different interests of heavy industrial and *Mitelstand* producers in 1895 led to the spin-off from the CVDI of the more pragmatic small and medium-size producers henceforth organising under the umbrella of the *Bund der Industriellen (BdI)*. Relations with organised labour played a key role in this differentiation process (Ullmann 1976).

Similar differences pertained to the labour movement, but there as well, the overall outcome was greater levels of internal organisation and coordination. In heavy industry, starting out from the coal mine *Präsident* in Bochum, the Ruhr miners' strike of 1889 was a key event (Köllmann 1969). The miners sent a delegation to meet the Kaiser in Berlin, where they agreed with Friedrich Hammacher, a national-liberal MP and leader of the employers' *Bergbau-Verein*, on eight-hours shifts, regular pay rises, and overtime work only if sanctioned by workers committees. Employers would ultimately only accept the eight-hours shift, but more importantly, the strike laid the foundations for the formation of the soon powerful coalminers' union *Alter Verband*: in 1905, after the coal miners' strike in the Ruhr, the new Prussian mining workers' councils (*Arbeiteraus-schüsse*) were, interestingly, set up under usage of proportional representation as electoral system (Ziegler 1958, see also ch. 9 below).

For the *Mittelstand* employees, meanwhile, the metal workers of the Solingen light-iron industries in the Bergisches Land are a good example. Organising representation on a revolutionary socialist ticket was difficult as these workers explicitly disapproved of the evolving socialist movement. As craftsmen, they defended their corporate privileges of skilled work against the socialist unions they considered as representatives of mainly unskilled, un-free workers in the new, large factories. It was only with the turn to a rather pragmatic union movement that was often in conflict with the ideologically firmer socialist party (also see below), that the skilled metal workers in this region joined the union movement. Once within social democracy, they continued to take a strong position for a reformist stance (Boch 1985). A similar rift between workers in the outputting system and their colleagues in the factories has been shown for the textile sector in Düsseldorf in the Lower Rhine, creating problems to organise an ideologically-socialist workers movement (Lenger 1989; on collective bargains in nearby Solingen and Werden, see Brand 1990).

The examples of these *Mittelstand* artisan workers point to the importance of existing patterns of proto-coordination for the evolution of a coordinated economy under late-19th century conditions of industrialisation and nationalisation – in these cases mainly in the form of preventing an ideologically Marxist socialist movement, which would have made it more difficult if not impossible to coordinate with employers. An in this sense more "positive" example of the impact of proto-coordinated traditions is, meanwhile, provided by the introduction of industrial courts (*Gewerbegerichte*) in 1890. The reader of the previous chapters will immediately recognise the similarity with the tasks formerly ascribed to the guilds and journeymen associations: these dispute settlement bodies aimed at resolving conflicts between the workers and employers of industrialising society in the same, self-administered and consensual and de-politicised manner, outside the jurisdiction of the state, as had been the case under the medieval guild system. As the dawning age of industrialisation threatened to turn the traditional proto-coordination within the craft sector into a problem of cross-cleavage coordination, the goal was to preserve traditional structures under changing economic circumstances – economies no longer limited to the scope of individual cities, for instance – shielding century-old investments in co-specific assets against the dawning age of the free market.

The industrial code of 1869 had already enabled local municipalities to introduce these courts, but the application of this new tool – tellingly – seems to have remained limited to small and medium sized towns, with Dresden and Leipzig in *Mittelstand*-dominated Saxony the only large cities setting up a court. As of 1890, the courts became legally binding, and tasked with three roles: as legal courts, arbitration institutions, and interest bearer. In 1893, the courts formed their own *Verband*, fostering exchange among towns in local *Gewerbelandschaften*, especially in the south-west. The setup was utterly proto-coordinated and based on subsidiarity: the judge presiding over a municipal industrial court was elected by the local city council, and aided by an equal number of representatives (*Beisitzer*) elected among workers and employers, respectively. As the industrial court *Verband* noted on the occasion of its tenth anniversary, the courts effectively offered a forum in which the obviously often-conflictive nature of worker-employer relations could be expressed, precisely in order to resolve them. Furthermore, the courts maintained close relationships with regional governments, as well as with the unions and the evolving employers' associations. The coordinated, subsidiarity-based nature and self-depiction of these institutions could not have been more obvious. The connection from century-old traditions of Rhineland proto-coordination via 1869 and 1890 to progresses on the next level, collective bargaining, also becomes clear in the *Verband* explicitly priding itself with the positive effects that the courts' work has had on the practical judicial role and the theory of collective bargains (see Verband Deutscher Gewerbegerichte 1903, 13ff.).

Already at the time of its introduction, commentators clearly saw the industrial-courts legislation as an attempt to re-connect to proto-coordinated traditions of conflict resolution in an environment of rapid economic and political change. Max Schippel, a leading reformist theoreticians within the Social Democratic Party of the time, provides one example of this. With Schippel, a Social Democrat seems to have been in favour of this coordinated system rather than outright revolution, which points to a gradual move towards pragmatism on the political left (see also below). In his 1890 pamphlet, Schippel effectively explained the origins of industrial courts' jurisdiction with the rise of new cleavages and the coordination problems they caused for economic actors, vis-à-vis the established, proto-coordinated order:

> In any place where bourgeois-capitalist relations were evolving with less restraint, where old boundaries and fixed norms in employment relations were replaced with the thousand kinds of "free" wage agreements between capital and labour, thus creating thousand kinds of causes for dispute and court decisions – there, the desire for a special organisation of jurisdiction for these mounting issues between entrepreneurs and their workers emerged more and more (Schippel 1890, 4).

Industrialisation turned the tradition of agreed skills and product standards into a problem of cross-class agreement with a new societal group, the industrial workforce. The introduction of industrial courts offered new solutions to this century-old coordination problem, organised around the work-capital cleavage, and in a modernised form, but with the same underlining understanding for the need to reconcile interests across hierarchies.

This crucial role of subsidiarity for the success of the courts also becomes clear from two other factors. One is the geographical distribution of the most successful courts – those that were in 1896 able to resolve the highest share of cases within less that one week. Unsurprisingly, the *Mittelstand* regions of the wider Rhineland led the way (Dresden: 96.7 per cent; Leipzig: 90.8; Stuttgart: 88.7; Elberfeld 81.7), with heavy industrial, east-Elbian and south-Bavarian districts far behind (Dortmund: 55; Munich: 38.5, Berlin: 18.5). This points to the importance of respective roots and traditions enshrined in local forerunners of the courts in the Prussian Rhine Province and in Alsace-Lorraine, but potentially also in Hanseatic trading cities such as later heavy industrialised Dortmund. It also limits the importance of seemingly top-down imposition via national legislation of these allegedly new institutions. The second aspect that speaks to the importance of subsidiarity is simply its success if compared to state-based conflict resolution mechanisms. In 1900, out of 81,931 industrial court cases, 36,265 (i.e. 44.3 per cent) could be resolved by accord, while in 1899, the local district courts (*Amtsgerichte*) could out of 1,131,038 cases only solve 141,189 (i.e. 12.4 per cent) by accord. Similarly, while the industrial courts could resolve 57 per cent of cases within less than one week in 1900, in formal legal cases in front of district courts, on 2.9 per cent of cases merely saw their first hearing within one week (Verband Deutscher Gewerbegerichte 1903 for all data).

This evolution did not remain without effect on collective bargaining: especially in skill-based sectors (printing, paper, leather and clothes making, wood manufacturing, but also in building and construction), the share of workers covered by collective bargains rose beyond 50 per cent by 1914. These agreements between workers and employers became a central means to achieve the transfer of the century-old, local mechanisms of preserving investments in co-specific assets to the level of the evolving national German political economy – this occurred based on subsidiarity, as government intervention in the form of legislation was virtually absent before WWI. That this did not at all mean that respective advances were somehow unimportant or half-baked becomes clear by the importance that leading interwar unionists such as Carl Legien assigned to the progress made before 1914: in Legien's view, his negotiation of *Zentralarbeitsgemeinschaften (ZAG)* jointly with heavy industrialists Hugo Stinnes was nothing but the continuation of the pre-1914 progress on collective bargains (Ullmann 1976). That by the outbreak of WWI, Germany's unions began to be sectorally cohesive rather than crafts-based (Crouch 1994; Katzenstein 1985), was of course a key pre-condition.

8.2 The Netherlands: From local to national coordination

The previous chapter has already highlighted the importance of a Dutch industrialisation process that was both late in timing and limited in scope – at least when considered from the traditionally dominant perspective of heavy industrialisation. However, we have also seen how from the perspective of this thesis, this different experience of the industrialisation process – one in in which existing patters of local manufacturing and production were gradually modernised, but remained influential – is an ideal case for the continued evolution of locally self-administered, proto-coordinated, subsidiarity-based structures of political and economic organisation also under conditions of national economies. A more straightforward way to look at the case of the Netherlands, once more, is to say that the Dutch experience of 19th century industrialisation and welfare-state construction was one that was effectively much more homogenously reflective of the Rhineland model than its German counterpart.

8.2.1 Welfare: From private to public

Any account of developments in the Dutch political economy of the last quarter of the 19th century and up until WWI has to start with the first advances to company-based welfare schemes once larger entities eventually occurred in the country's economy. We have already seen how in the *Mittelstand* sector of artisans and agrarian, which was still dominating the Dutch economy, the return to and survival of mutual self-help associations and funds provided effective sources of locally self-administered, private social insurance (see chapter seven). However, once larger companies did emerge in the last quarter of the 19th century, we detect patterns that appear already familiar from the experience of large German companies in the wider Rhineland, even if respective advances had been made about a quarter of a century earlier there. Among respective cases in the Dutch economy were typically companies that had grown large in sectors with traditionally skill-based and/or local agrarian production. Examples include yeast and natural alcohol producer van Marken, textile machinery manufacturer Stork, beet sugar producers Vlekke and van Besouw, and brewer Hovey (Sluyterman 2010).

As we already witnessed in the cases of Krupp, Siemens and others in Germany, companies provided a number of social services, insuring these companies' workers against common risks such as sickness, injury, and old age, but also covering workers' for widows and orphans. However, as already discussed for the case of Krupp and others, the key question from the perspective of this thesis is of course not only the provision of respective funds, but also, crucially, also the issue of management and administration, as it is there that the coordinated and truly subsidiarity-based – rather than patriarchic or corporatist – character of these solutions becomes apparent. Against this backdrop, it is important to note that equally as in many cases in Germany larger Dutch companies also seem to have followed a model of splitting contributions between workers and employers, hence in terms of financing implicitly or explicitly connecting to older, proto-coordinated traditions within the boundaries of their firms. Most importantly, however, workers were involved in running and administering the funds via works councils and comparable institutions. In the case of van Marken's yeast production, this model not inly yielded company housing, but also even profit sharing arrangements. In 1898, moreover, these employers even set up their own version of a *Verband*, in the form of the Central Bureau for Social Advice (*Centraal Bureau Sociale Adviezen*), assisting workers and employers elsewhere in establishing similar funds and institutions (Sluyterman 2010). As their German counterparts, Dutch industrialists pursued their policies of company-based welfare schemes to attract workers and bind them to their companies.

Partially in contrast with these forerunners of coordinated arrangements on the company level, the standard view on the emergence of Dutch public welfare schemes long appears to have been that it was predominantly a lack of private solutions as well as a mounting number of accidents that during the 1890s motivated the government to move towards the introduction of public funds. This may have been true regarding the government's motivation, but as more recent studies argue, the interest of large employers in setting up public funds, while maintaining patterns of subsidiarity and self-administration, should not be underestimated. While the Dutch government in 1897 proposed the introduction of a public accident insurance – paid for by employers and administered by the National Insurance Bank (*Rijksverzekeringsbank)* – employers pushed back, mainly by organising in their own interests in a specific association, the Association of Dutch Employers (*Vereeniging van Nederlandsche Werkgevers*, *VNW*), lobbying for employers' Industrial Insurance Boards (*Bedrijfsverenigingen*) to administer the scheme instead. However, employers did not reject the idea of public accident insurance as such as it seems to have served as a promising means to address the growing free-rider problem especially for those employers who did offer solution on the company level. At times, companies apparently even argued that the proposed coverage under the public scheme was too low.

Interestingly, on the side of organised labour, the standoff led to the formation of an equivalent interest group advocating a fully public solution as proposed by the government. However, this positioning only held for as long as employers insisted on the *Bedrijfsverenigingen* in the context of the accident insurance. In the case of the public health insurance – which, in accordance with the general pace of industrialisation and the concomitant development of public welfare arrangements – only occurred after WWI, during the 1920s, they advocated a bipartite solution jointly with employers (Bannink 2014). Employers ardently defended self-administration but did not oppose public welfare as such. Organized labour seems to have shared this organisational stance as soon as inclusion and representation in the administration became possible in the sense that employers opened up for the idea. This latter shift in employer positioning, in turn, has to be put into perspective given that on the company level, first advances towards co-determination existed, thereby connecting to much older, proto-coordinated and subsidiarity-based patterns in the artisan and agrarian sector.

8.2.2 Industrial relations: Coordination, late but fast-growing

Meanwhile, as an absolutely crucial "side effect", we see the formation of integrated associations, which may have started late in the Netherlands – but then grew exponentially, from low activity in 1900 and still weak association levels to substantial degrees shortly after WWI, by 1925. Already by 1914, internal union organisation had been relatively cohesive (Crouch 1994; Katzenstein 1985). Again, the deepest historical roots of coordinated bargains are to be found in local and private agreements, in the case of the Netherlands in private labour councils as of around 1890, the first of which were to be found in The Hague, Rotterdam, Leiden, and Enschede – in the latter case in the form of a Conciliation League (*Verzoeningsbond*), where members gave up the right to strike in return for the promise of formalised arbitration procedures. Later, respective councils sprang up in Friesland, Amsterdam, Zutphen, Haarlem, Dordrecht, Kampen, and Utrecht. These institutions were set up in different ways, but always consisted of workers and employers' representatives, and were intended to solve issues in industrial relations. As in the case of the German industrial court, the stated goal was to utilise the opportunities provided by sub-political solutions to overcome the mounting problems of the rising class cleavage. The rationale was that if the government 'makes a misstep, everything will fail, while in private labour councils regulations can be adjusted and modified in such a way as to finally make them work well,' as one of the founding fathers of the Amsterdam council coined it (cit. in van Veen 2009, 81). In light of this, the private institutions quickly also began to advise the local and municipal governments on questions of social policy – a clearly subsidiarity-based setup.

These private experiences in 1897 led to the passage of a law introducing Labour Chambers – or rather: empowering local municipalities to do so in their jurisdiction. In the second chamber of parliament, liberals and moderate anti-revolutionaries jointly drove the debate, and the resulting chambers connected to proto-coordinated traditions on the local level. Representatives were to be elected separately by employers and workers. Beyond that, however, municipalities were free to fix the sectors to be represented, the companies that joined, the number of members, or whether the chamber should in fact cover multiple municipalities or only one large larger firm. Continuities in the careers of personal office holders also suggest an often-direct connection to the pre-existing tradition of private councils.

Finally, as in Germany, the chambers seem to have fostered – and their own fate seems to have been closely interwoven with – the subsequent development towards coordinated bargaining: the chambers held close contact with the evolving coordinated organisations of workers and employers, such as the Dutch League of Trade Assocations (*Nederlands Verbond van Vakverenigingen, NVV*). From the mid-1910 onwards, some of the chambers served as the location for these organised groups to negotiate the first collective bargains – in light of the work contract law of 1907, in which the Dutch state formally recognised unions and employers' associations and their agreements. It should, against this backdrop, probably seen as a somewhat ironic proof of the chambers' success that just before WWI, voter turnout began to ebb away, and that the perceived powerlessness of the institutions was cited as a reason (van Veen 2009).

However, that only meant that the main locus of workers' interest organisation had shifted: By 1914, 15% of the workforce were already unionised, and by 1920 that figure had jumped to 30%. Just before WWI, the NVV was a centralized, industry-based federation of unions. In the decade after 1910, it quickly transformed into a nation-wide, bureaucratic, industry-based organisation. And within the workers' movement, competition was dwindling: founded as a federation out of 15 independent unions only in 1906, by 1914, and despite the continued existence of Calvinist and Catholic unions (which jointly only counted 40,000 members by 1914), the NVV was unrivalled in size with its 80,000 members and managed to double that number until 1918. The rise of a centrally organised, reformist union federation, with the goal of establishing a collective bargaining system, occurred in the two decades before WWI (Cusack, Iversen, and Soskice 2010b, 6). In this sense, it appears that the labour chambers had helped workers and employers to fully lift their coordination efforts out of the previously private realm to the level of wider-reaching bargains. Much as in proto-coordinated Germany, in the late-industrialising Rhineland case of the Netherlands, key patterns of coordinating the new, national economy were in place before 1914.

8.3 France: Centralised paternalism, continued

As we have already seen, in Catholic France, the rift between the church and the state that had existed ever since 1789 had led to suspicions of state attempts to disconnect Catholics from their religious camp and bind them to the state by means of implementing public welfare policies (Leitner 2002, 383). As a result, the idea of local patriarchy remained strong in French Catholic social thought, which was in consequence unwilling to counter economic liberalism (van Veen 2009, 30). That against this backdrop, a meaningful social-Catholic movement never rose to force in the French party system, meant that unlike in the case of the German Centre party, no such comparable force was pushing for a – potentially subsidiarity-based – welfare state in late 19th century politics. What is more, this push neither seems to have come from the left. Whether anarchists, liberal or conservative socialists, the scepticism against state intervention into the economy remained huge (Leitner 2002, 383).

8.3.1 Welfare *à la* Bismarck

The lack of local, bottom-up, self-administered ownership of any local welfare system that could have provided a blueprint for the central state may explain why instead, these groups seem to have been extremely wary of the central state: its expansion had historically, as we have seen, to a much lesser degree taken the form of integrating existing structures, but rather of imposing and controlling them from Paris. That respective concerns, as far as they existed, may have been at least partly warranted is demonstrated by the fact that one key motivation for the central state to propose a pension system was the concomitant, increased ability to define and statistically enrol the French working population (Noiriel 1989).

However, before the government brought forward its proposal in 1901, public welfare had been an extremely rudimentary affair in 19th century France. In the early centralising state, existing local patterns were weak and could hardly be called self-administered, while Christian Catholic charity had collapsed during the revolution with its focus not just on *laissez-faire* in economic policy, but also, of course, on strict secularism. This left private actors and, in the public realm, local communities on the spot, but given their overall limited leeway under any of the many changing political regimes of 19th century France (see chapter six), this led to outcomes under which the level of protection of the poor were lower than in Prussia, Bavaria, or England. The workforce, meanwhile, was often covered in voluntary self-help associations (*sociétés de secours mutual* and *mutualités*), but protection against longer periods of unemployment, old age, or invalidity remained limited (Henkel 2002, 137). Limited state support came in the form of the local *bureaus de bienfaisance*, mostly controlled by local notables, and existing, around the middle of the 19th century, in about one quarter of French municipalities, which hosted about one ninth of the country's overall population. *Laissez faire* continued to wield a strong influence on the public policy debate (Ritter 1991, 49). The picture emerging here is one where – in the absence of patterns of subsidiarity and self-administration – the delegation to the local level should therefoe probably be seen as evidence of the relative weakness of the overall level of public welfare in centralised France, where public services were either provided centrally, or not at all:

> The government mandated departments and localities to take care of the unemployed, and helped subsidize the cost of local authorities as well as those few trade unions and trade organizations that provided unemployment benefits. The law provided leeway for local initiative but it mainly permitted local neglect (Cohen and Hanagan 1995, 101).

On the public level, the political debate about public welfare had been fostered, as discussed, by developments in Germany (see chapter seven). In 1898, however, instead of introducing a compulsory insurance scheme, France instead chose a liability insurance that would pay workers for accident regardless of the employer's responsibility for accidents at work. At the same time, protection against the risk of illness remained voluntary in that the Mutuality Charter of the same year merely promoted the voluntary insurance in *sociétes de secours mutuels*. The subsequent 1901 proposal for a public workers and peasants' pension envisaged a mandatory, contribution-based model, which however experienced grave resistance in parliament to the degree that the political procedures almost took a decade to complete: after years of debate in the national assembly, outright rejection in the senate in 1906 was followed by years of work of government and senate towards a joint proposal, until a government-prepared bill (*loi sur les retraites ouvrières et paysannes)* was ultimately adopted in both houses in 1910. As opposed to the Rhineland cases, and in absence of strong Christian democracy, underlying political pressures had come from the radical left, in differentiation from strong liberal concerns about the mandatory character of the scheme. Moreover, the radical left explicitly saw the scheme as a political means of nation building from within at the end of France's rocky 19th century history with the famous shakiness of its many political regimes (Senghaas 2011). In line with this, the system addressed pensioners as a social category (akin to the sick, children, or women), thereby going beyond more fine-grained, ultimately economic differentiations into workers, employees, or public servants (Haupt 1996, 309).

The resulting scheme was contribution based, but the state played a much more pronounced role than, for instance, in Germany, as a guarantor of the resulting payments, while also making a significant own financial contribution – precisely a feature that remained weak in the Rhineland cases with their strong traditions of subsidiarity. Moreover, the administration was mostly centralised, with at best limited representation of workers and employers. Again, we see a different pattern of involving the local level: budgetary pressures on the level of the central state seem to have led to a situation where at time, no more than 59 bureaucrats at the agricultural and labour ministries were running the scheme for the entire country, with the bulk of the work regarding distribution of payments and collection of contributions seems to have been left to municipal level, where this caused grave problems amid limited administrative capacity (Dumons and Pollet 1991). The literature has tended to judge the French social system in comparison to the German forerunner, often assuring that 'the early Third Republic cannot, even by the relative standard of its own time, be considered successful in most matters of public health and wealth' (Mitchell 1979, 315). From the perspective of this thesis, however, greater restraint is in order, highlighting instead the fundamentally different setup of the centralised, non-subsidiar French polity. In this sense, and quite ironically, public welfare in France appears as the case that probably came closest to what East-Elbian, non-subsidiar, authoritarian corporatists like Bismarck initially had in mind: a system limited in both its size and its representative reach, that served the central state's political purposes in a top-down manner rather than being based on the bottom-up integration of local interests.

The hesitations of Christian democracy, the resulting, rather slow political activity on the issue of public welfare, as well as, ultimately, the limitations of the evolving system should all become clearer if we recall that French producers do not seem to have been extremely skill dependent, nor especially interested in matters of vocational training during the long 19th century (Cusack, Iversen, and Soskice 2010b, 8). Instead, what employers appear to have wanted was the amendment of their growingly unsustainable paternalistic ambitions on the company level with complementary, limited state intervention – the state as a referee – for the rather conflictive relations with the workforce. A first reflex may be to explain this weakness of skills and low development of vocational training schemes with France's late (heavy) industrialisation. However, what should have become clear closer to the end of this chapter is that this is hardly anything that sets France apart from the Rhineland cases of the Netherlands and Germany. While the Dutch economy industrialised even later than late-coming Germany, the Netherlands also demonstrate the (in light of the discussion of the German *Mittelstand*: unsurprising) fact that even without the emergence of a meaningful heavy industrial sector, and the only belated development of large conglomerates, skills can be important, and vocational training schemes may develop. In fact, taking the skill-dependence precisely of small and medium-sized businesses seriously, one may see in the Dutch case the confirmation of the assumption that the existence of heavy industry hardly matters at best, if it is not seen as entirely disruptive for training traditions. Against this backdrop, then, France's late industrialisation should not be referred to as a potential explanation for the apparent weakness of its skill-dependence and vocational training schemes in the late 19th century.

Instead, the picture that slowly emerges from this account is once where in the absence of subsidiarity structures in politics and the economy, there appears to have been simply no constituency that could have pushed the issue from below. The guilds had been abandoned ever since 1791, and appear to have, in any case, previously played the role of regulatory tools for the central state in the countryside rather than bodies of local self-administration. Paternalistic ambitions may have been strong in heavy industry on both sides of the Rhine, but the absence of subsidiarity structures – providing local, *Mittelstand* traditions of proto-coordination, as well as political channels to lift these traditions to the newly emerging national level – appears to have been the crucial difference between France and the Rhineland cases. For the case of the failed attempt of introducing a comprehensive public accident insurance in 1888, Mares nicely summarises this underlying pattern of French public welfare legislation around 1900: 'While large firms took an active role in defending the autonomy of these private institutions of social insurance, small producers militated for the freedom to opt out of social insurance' (Mares 2003, 93). Without subsidiarity, there were simply not enough powerful employers interested in pushing for proto-coordination in France.

The upcoming point, the weakness of the evolving French industrial relations system of the late 19th century, further speaks to this point: without a meaningful tradition of subsidiarity, powerful, industrially or nationally integrated, and reformist unions did hardly emerge.

8.3.2 Industrial relations: Organisation from above

Given the country's late industrialisation, it may make sense to look for other forms of subsidiarity-based organisation, for instance the formation of associations or even interest groups, representing the still strong agricultural sector. However, the literature suggests that at even shortly after the end-point of the timeframe of this thesis, peasant leagues and comparable organisations were focused on little else but the internal provision of mutual insurance schemes. Moreover, these organisations hardly seem to have been truly self-administered, instead having been run and represented by manorial agrarians and landowners, the church and the state. Peasants themselves were often unwilling to take on leadership roles in these associations, but in turn refusing to obey to rules of collective discipline vis-à-vis the bureaucrats and other elites running the scheme. This organisational pattern of course had consequences for the political programme of the associations, which was generally conservative. In any case, the phenomenon seems to have remained a minority movement, limited to some regions and specialised growers. Union organisation remained a localised affair (Cusack, Iversen, and Soskice 2010b).

This effectively fragmented organisational pattern of the crucial agricultural realm seems to have repeated itself also in France's late-coming manufacturing and industry sectors. The division of the French workforce along the lines of crafts rather than industries seems to have remained a key feature of the country's economy well into the 20th century. Apart from the greater importance of the (hardly coordinated) agricultural sector, the emerging French working class was therefore characterised by its heterogeneity, including along the lines of occupation and skills (Noiriel 1986, 44ff.). While small and medium-sized businesses remained dominant, the organisation of industrial relations in these companies seems to have been dominated by patriarchy rather than proto-coordination (Leitner 2002, 383). The result was that the 19th century French workers' milieu resembled a 'mosaic' (Yves Lequin, cit. in Haupt 1996, 307) rather than an integrated, proto-coordinated group. The link with the resulting, limited to-down provision of nothing more than basic welfare, such as the aforementioned pension system, should be easy to see.

Even if the workers' movement managed to form an integrated top-level organisation, internal fragmentation – i.e. lack of centralisation, as this phenomenon has usually been dubbed in the literature – was not the only problem haunting organised labour. Previously forbidden under the Le Chapelier act, the Ollivier act of 1864 had lifted the coalition ban and legalised strikes, and the 1884 Waldeck-Rousseau act formally legalised unions, reflecting the – again, rather Bismarckian – project of integrating the working classes into the consolidating Third Republic. The result had been the 1895 formation of the General Confederation of Labour (*Confédération générale du travail, CGT*). However, a counterpart to strike bargains with – should that ever have been labour's intention – was difficult to find. That counted also for the level of national representative associations. While employers' associations did form in specific sectors such as the metal, chemical, coal and steel industries, it was only after the temporal endpoint of this thesis, in 1919, that French employers ultimately established a counterpart to the CGT, an integrated representative association on the national level, the General Confederation of French Production (*Confédération générale de la production française, CGPF*) – tellingly, under the impulse of Commerce Minister Étienne Clémentel (Despax and Rojot 2011, 250). What is arguably even more important is the fact that integrated industrial associations hardly developed.

Against this backdrop, progress towards more coordinated industrial relations remained rather weak. The anyway small Catholic social movement failed to reach permanent conciliation committees and arbitration courts: the Lockroy law of 1892 introduced merely voluntary arbitration, while labour councils were indeed established in 1908. However, its members were elected individually rather than on a proto-coordinated ticket with preselected lists. Representative institutions of workers and employers seem to have stood in the rather weak tradition of the guilds of late 19th century France. Tellingly, they were at the time known as *administration consultative* (van Veen 2009, 32ff.).

8.4 Summary

Indicator	Germany	Netherlands	France
Dominant type of governance (example), ca. 1867	Subsidiarity (*Bundesrat*)	Subsidiarity *(Verzuiling)*	Centralism *(Départements)*
Timing and type of industrialisation	Late, heavy industry and small businesses	Late, small businesses	Late, heavy industry and small businesses
Character of public welfare schemes	Compulsory, coordinated	Compulsory, coordinated	Voluntary, paternalist
Union organisation	Cohesive	Cohesive	Localised

Table 10: Subsidiarity, public welfare and industrial relations in the late 19th century

In the run up to WWI, the game of traditional subsidiarity and modern coordination comes full-circle. We have seen in this chapter how the century-old traditions of local proto-coordination began to shape the new national economies in the wider Rhineland, as demonstrated for the Netherlands and Germany. This occurred via the introduction of public welfare schemes and the advancement of industrial relations towards coordinated bargaining, crucially building on local forerunners, and transferred to the new national level thanks to the presence of subsidiarity in national political institutions. As the following chapter will highlight, this process set the stage for a change in the political realm: the rise of political pragmatism, via which local subsidiarity traditions ultimately seems to have (re-)written the rules of the political game itself, enabling grand coalition politics – and potentially electoral reform.

9 ECONOMIC POLITIES: COORDINATION AND THE RISE OF MODERN POLITICS (1880-1914)

The previous chapter has shown how via public welfare schemes and the advancement of industrial relations towards coordinated bargaining, local patterns of subsidiarity began to climb a ladder towards hierarchically higher political levels in our Rhineland cases of the Netherlands and Germany. While for the Netherlands that meant the creation of national institutions in line with local traditions, in Germany it also entailed the re-shaping of previously outright non-coordinated sectors and regions based on local Rhineland traditions. Conversely, France took the path of continued centralisation and paternalism in public welfare and industrial relations.

This final chapter will now highlight the end point of my thesis: the implications of these more directly economic elements on the political realm, in the form of the rise of political pragmatism. I am going to show how the growth of reformism in the labour movement and the presence of strong Christian Democracy in the Rhineland cases ultimately led to a (re-)writing the rules of the political game itself, in the nation states that characterise the political and economic order in Western Europe to the present day: grand coalition style, consensual politics became the norm on the national level, while in France, conversely, segmentation along the class cleavage seems to have remained much more stable. Institutionalised patterns of collective action ultimately also left their mark on the political institutions of emerging mass politics. The discussion of France will fowllow that of Germany and the Netherlands, before a brief summary concludes.

9.1 GERMANY: PRAGMATISM FROM BELOW

We have already seen how the presence of the Catholic Centre party as the largest Reichstag party as of 1881 was crucial in the context of bringing about Bismarckian social security legislation, ensuring the connection to existing patterns of proto-coordination and subsidiarity in a bottom-up fashion. This merits a closer look at the party as well as at the Social Democrats, especially given that after Bismarck’s departure in 1890, the anti-socialist laws finally fell, giving rise to a new wave of political pragmatism and co-operation between left and right. These developments in the political realm can be pictured along the lines of the dynamics we have already witnessed in the case of the introduction of public welfare schemes: due to the emergence of a national and industrialised political economy, traditional ways of organising locally coordinated polities required adjustment. What had so far been organised in locally rather homogenous settings now needed negotiation between the new brokers of political, economic societal powers: national political mass parties and mass economic organisations such unions as employers' associations – i.e. across the rising class cleavage of industrial society. Against this backdrop, political pragmatism evolved mainly *within* the two defining mass parties as of 1890, the Centre and the SPD, as well as their respective societal organisations. This is demonstrated for instance by the presence in both parties of growingly powerful constituencies nominally closer to the opposite side of the capitalist cleavage – workers clubs and unions in the Centre, and reformist holders of local political office (*Honoratioren*) in the SPD. On top of that, the early 20th century also witnessed the first advances towards cooperation between the two parties – a growing tide that would soon also come to trigger the push for electoral reform.

9.1.1 Christian Democracy: from Catholic outsiders to integrating force

Let us start with a brief look at the Centre. Although long seen as a purely conservative force, Catholicism in fact created the joint cross-class constituency of this party (for a conceptual take on the role of religion see Manow and van Kersbergen 2009). Towards the end of the 19th century, it became increasingly clear that the Centre's fundamental dilemma was that it expected its supporters and voters to put their religious and ideological interests before class interests (Bredohl 2000, 107). This hints at the party's role as a negotiation community (Iversen and Soskice 2009), offering a forum for political coordination also on the newly emerging national level. The best example of this is the fact that apart from the usual Catholic constituencies of shopkeepers and the small bourgeoisie, workers' representation gained strength in and around the Centre, with strong roots in the proto-coordinated Rhineland. Politicians like Karl Trimborn from Cologne, his political mentor Julius Bachem, and his friend Franz Hitze, represented the cause of the growing Catholic working classes. Preceding the formation of the Centre, Catholic workers clubs had started in Elberfeld, in the form of Adolf Kolping's journeymen associations (*Gesellenvereine*) of the 1850s, later augmented by the Christian social associations of the 1870s, as well as, interestingly, new experiments such as Workers Welfare

(*Arbeiterwohl*), a solidary organisation of Catholic industrialists founded in 1880 by textile industrialist and Centre politician Franz Brandts from Mönchengladbach, who later also chaired the People's Association for Catholic Germany (*Volksverein für das Katholische Deutschland*) (Bredohl 2000, 82ff.).

Education, worker representation and welfare, as well as parliamentary work were the goal of the Catholic workers' clubs, of which factory owners, civil servants, academics and clergy often were honorary members. Hitze hoped that this would bridge the emerging class divide. In Rhenish cities such as Cologne, where the *Volksverein* quickly gained strength, workers clubs increasingly began to focus on improving workers' vocational skills. Meanwhile, the creation of the Association of Christian Miners (*Gewerkverein Christlicher Bergarbeiter*) by miner August Brust in Essen in 1894 provided a model for the organisation of workers in other sectors of the economy nearby, such as the weavers and factory workers of Aachen and Bielefeld. What may have boosted the appeal of Brust's organisation was its presentation of coal mining not as an autarkic, heavy industrial sector alien to the old, Catholic *Mittelstand* constituency, but as what it had been for centuries: a craft (*Gewerk*), in which strong Catholicism had long worked as a framework for coordinating the interests of workers and employers. From the century-old traditions of local Christian organisation in mining, the idea of coordination made its way into the Centre party in a bottom-up fashion. Interestingly, the famous papal encyclical *Rerum novarum* of 1891, which is usually seen as the intellectual starting point for the concept of subsidiarity, only followed up on ten years of crucial Catholic involvement into public welfare legislation and retroactively sanctioned existing Catholic workers' clubs (Bredohl 2000, 118ff.). Pragmatic proto-coordination on the newly emerging level of nation-wide mass politics was a feature that had grown organically from below within the Catholic Centre, based on strong patterns of subsidiarity, rather than being prescribed top-down.

One result of the growing Catholic workers movement was the fielding of workers' candidates by the Centre party. First was Catholic metalworker Gerhard Stötzel, who in 1877 ran for the Christian Social Party in the Düsseldorf-Essen Reichstag constituency. He was elected with the support of the Socialists in the run-off elections and subsequently joined the Centre caucus, beat Krupp, lost to him in 1893 but regained his seat in 1898. Cases like Stötzel's soon stirred controversy within a party that did not conceive of itself as a revolutionary force. This showed three things: first, that the strategy of Trimborn and others to create a new, interest-based organisation of Catholic workers (instead of merely symbolic representation by a handful of notables) did provide this constituency with significant new influence; second, that an antagonism existed within the Centre party between its rural and its urban constituencies (Bredohl 2000, 129f.). However, from the perspective of this thesis, it were, third, precisely these tensions *within* one party that hinted at the opportunity and the fundamental interest to coordinate conflicting preferences in a pragmatic manner. In the Catholic negotiation community that was the Centre party around the turn of the century, this is precisely what was soon to happen.

Respective dynamics were reflected in two big confrontations within the party around 1900, the Union Struggle (*Gewerkschaftsstreit*) and the Centre Struggle (*Zentrumsstreit*), in which German Catholics essentially fought over the need and their ability to escape their isolation within a Prussia-dominated Germany that waged its *Kulturkampf* of secularisation against them. In the *Gewerkschaftsstreit*, raging between ca. 1900 and 1910, the founding of interdenominational trade unions by Christian trade unionists – a matter of crucial importance along the Rhine, with its scattered denominational map – triggered a backlash from traditionalists such as Franz von Savigny and others from Berlin and Trier, criticising trade unionists like Adam Stegerwald and Centre politicians like Hitze, Julius Bachem and Trimborn as well as the *Volksverein* for threatening the integrity of Catholic beliefs – and specifically for using socialist tactics by claiming the right for Catholic workers to strike. Miner and activist August Brust had convinced Hitze already in 1890 of interdenominational unions, and this formed the base for the strong support from the Volksverein. Other politicians like Karl Bachem wanted to halt the defection of Catholic workers to the SPD. Challenges such as democratic party competition for one and the same constituency may have been new, but the means to address them had been established in the in proto-coordination regions for centuries: Bachem and most of the Rhenish Centre, especially the Cologne-Mönchengladbach group, were supporters of workers clubs as vehicles to educate workers and spread Catholic ideas among them (Bredohl 2000, 151ff.).

As industrialisation in large parts began to replace former artisan craftsmen with workers, this made changes necessary to the established representative formula (and the resulting policy choices) of parties such as the Centre. In this sense, the *Gewerkschaftsstreit* can be read as a debate over attempts to upgrade Catholic forerunners of cross-class consensus – which at the surface took the form of the more straightforward question of how far Catholics wanted to go to keep socialism at bay. The directorate of the *Volksverein* reaffirmed its position between 1902 and 1909, but the all-important clergy remained indecisive, so that the solution of the conflict came down to papal intervention. Pius X's encyclical *Singulari quondam* of 24 October 1912 formally allowed Catholics to join both workers clubs and Christian unions. This reaffirmed the Centre's curious role as a political yet not secular party, with a constituency that was Catholic, but where the hierarchy did not dictate policies, although the authority of the clergy was hardly ever challenged. Most importantly from the perspective of this thesis, however, the traditional view did not prevail, according to which the *Volksverein* and the Centre were mere extensions of the Catholic Church (Bredohl 2000, 153ff.).

Meanwhile, the *Zentrumsstreit* was in many ways an even more fundamental version of the same standoff – not so much about unions or interdenominationalism but about whether Catholics could and should try to become part of the dominant culture of a Reich in which in which they represented a minority. What is interesting in this context is that proponents of the traditional wing of Catholic retreat appear to have known that their stronghold was not the Centre's Reichstag party – the group of MPs pragmatically pushing social welfare reform during the 1880s. Seen as office hunters eager to open a perspective in government for the party, the Centre's Reichstag MPs seem to have been subjected to a pragmatic logic of parliamentarism, in which effective inclusion into the Reich's policy-making – both based on, and in defence of, patterns of political subsidiarity – fostered a pragmatic constituency within the party. It was only under Germany's first chancellor post WWII, Konrad Adenauer, that the dream of an interdenominational Christian party in government would become a reality (Bredohl 2000, 171ff.; M. L. Anderson 1988). However, the mark the Centre left on the public welfare legislation of the 1880s as well as its opening towards workers' representation starting with the rise of political pragmatism during the 1890s enabled the party to serve as a forum for locally established proto-coordination also on the level of industrialised, national politics.

9.1.2 Social Democracy: Local politics and reformism

Grown out of Ferdinand Lassalle's General German Workers' Association (*Allgemeiner Deutscher Arbeiterverein, ADAV*), established in Leipzig in 1863, the SPD was one of the strongest and best organised workers' parties of the late 19th century. After the end of Bismarck's anti-socialist laws had opened the perspective of achieving real political power, the party internally encountered a fierce programmatic debate. The SPD's basic programme, which was accepted at the party conference in Erfurt in 1891, represented a compromise between Marxist theory and political pragmatism. The conflict between the two wings within the party was embodied by the often-difficult relationship of the two leading social democrats of the time, left-winger Karl Kautsky his reformist counterpart, Eduard Bernstein (Krell 2009, 81). Pragmatic pressures came mostly from the South and South-west of Germany, where politicians like the Bavarian SPD leader Georg von Vollmar wanted to open the SPD for coalitions with progressive-liberal and agrarian parties. Meanwhile, on the left wing, Rosa Luxemburg campaigned for the party to adopt strategies of revolutionary activism. The underlying question was whether the SPD should follow Marxist theory by merely waiting for capitalism's inevitable collapse instead the chance of becoming active in the pursuit of real political power, incrementally improving the situation of the working classes. The strategic decision the party was facing was one between compromise and conflict.

Not unlike the Centre, the debate was not limited to the party as such but rather posed the question of leadership in the entire workers' movement. In the case of oragnised labour, the late 19th century pitted the SPD itself against the labour unions. The latters had rapidly grown in the process of industrialisation and reached about 2.5 million members by the end of the century, clearly outnumbering the SPD with its 1 million members. Under these circumstances, the unions were less and less willing to play their traditionally minor part of recruiting party members, the task assigned to them by the SPD. Instead, they started calling for substantial influence on programmatic matters – and this meant: in favour of a pragmatic, centrist political programme. The economic goals of the unions were characterised by an outspoken reformism, which, as much as it criticised the injustices of the existing political economy, openly refuted any call for communist revolution. Instead, union leader Carl Legien in 1899 stated that 'we especially, the workers organised in unions, do not wish for the so-called *Kladderadatsch* [the revolutionary breakdown of the existing order, CN] to occur … We wish for a situation of calm development' (cit. in Ratz 1997, 178 fn. 20, translation: CN). During the *Reformismusstreit* and the *Revisionismusstreit* around the turn of the century, the unions strongly opposed the concept of political strike as advocated by Rosa Luxemburg and other SPD left-wingers. Eventually, the SPD and its left wing had to acknowledge the new balance of power. In the Mannheim Agreement of 1906, the party guaranteed to the unions to coordinate with them in programmatic questions. This meant a major strengthening of centrist forces in the workers' movement (see Bock 1976; Grebing 1985; Lehnert 1983; Ritter 1976; Ritter and Tenfelde 1992).

Where had the inner-labour calls for reformism come from in the first place? Subsidiarity and local patterns of proto-coordinated production in the wider Rhineland appear to have played a crucial role. Already at the founding convention in of the SPD's forerunner, the ADAV in Leipzig in 1863, five of the eleven cities represented were from the Rhine Province. Still under the anti-socialist laws, the first roots of a clandestine organisation to support the workers' movement arose in traditional craft manufacturing cities along the Rhine such as Cologne. Düsseldorf, Elberfeld, and Krefeld were also places where the SPD founded so-called Industrial Associations (*Gewerbliche Vereinigungen*), essentially workers' representative associations geared towards the *Mittelstand* businesses (*Gewerbe*) rather than heavy industry. As a result, even the Prussian government started to note that the SPD was toning down its revolutionary rhetoric (Bredohl 2000, 128ff.; Sperber 1992). And even if the SPD's supreme organisational preparation for the new age of national and mass politics has often been highlighted, the same scholars have at the same time pointed to the crucial role of local and regional political allegiances within the same party, for instance in the Ruhr, where two Social Democracies' (one local and one national), are said to existed within the SPD. This reflects the rise of the SPD in that crucial industrial region in two stages: the first phase in the late 19th century, when electoral choice was mostly still based on experiences in the local context, and the second stage in the early 20th century, with voters deciding more and more with respect to national politics (Rohe 1981).

Indeed, its proximity to local economic contexts and especially the industrialising *Mittelstand* rather than exclusively the new proletariat did not remain without consequences for the SPD's policy choices once the Bismarckian ban had been lifted: it was in the wider Rhineland that reformism had its inner-labour strongholds. In Bavaria, Georg von Vollmar called for the SPD to approve a special agrarian manifesto to enlarge the party's electoral base (Lehnert 1983). In Württemberg, the SPD's reformist position matched with and the government's liberal stance towards the party (Blackbourn 1980, 170) and also corresponded with the relative strength of organised labour in the skill-dependent *Mittelstand* economy of south-west Germany. Local patterns of proto-coordination seem to have started to influence the SPD's stance from below, based on subsidiarity.

Reformism became strong at first in the SPD organisations of the wider Rhineland where institutions of municipal politics had been open to Social Democratic participation much earlier than in other states. Much like in the case of the Centre, this hints at a pragmatic logic of parliamentarism. Tellingly, this occurred in regions with established track records of proto-coordination and *Mittelstand*-based production. Here, large parts of the party had been reformist-minded already before the turn of the century, thus forestalling on the municipal level the later development of the entire SPD. According to reports given to the national party conferences, by far the greatest numbers of Social Democrats actively involved in municipal politics were to be found in Baden (800 councillors in 1904), Saxony (279 in 1901) and Württemberg (112 in 1904), with numbers considerably lower in the north-east, for instance in Brandenburg (11 in 1900), Berlin (22 in 1902) and the capital's suburbs (48 in 1902). Furthermore, holders of municipal office among Social Democrats were on average better educated than usual members of the SPD, and the share of party members with so-called 'bourgeois occupations' was much higher in this group, at 37 per cent, with master artisans and innkeepers not even counted to this statistics (von Saldern 1977, 23ff.). It is interesting that this regional pattern of SPD reformism also corresponds with the regional allocation of those economic sectors that first progressed towards collective bargaining (see Ullmann 1977). Finally, the inclusion of party members in the coordinated organisational elements of worker representation in the new public welfare institutions should not be underestimated for the growth of reformism within the SPD (Ritter 1991, 86; Manow 2001a). In sum, well-educated workers who were included into regional decision-making at an early stage were more likely to take a reformist position. With the share of this group constantly rising between the end of the anti-socialist laws in 1890 and the downfall of monarchy in 1918, the entire SPD's position gradually moved from revolutionary activism and Marxist dogmatism towards reformist democratic socialism. The roots of pragmatism were local.

In a late twist, the inner-labour conflict between the two schools of thought continued to spark ideological debates well up until the 1970s – this time between historians of the, by then, two German states. East German historians unsurprisingly took to take a Marxist stance, defending in their accounts the revolutionary wing of the SPD around 1900, which they considered to be the historical origin of the East German communist party. One case in point is the example of Marxist GDR scholars Graf and Seiler (1971, 78ff.). In their account, they fiercely dismiss reformist Georg von Vollmar for his claim at the Erfurt part conference in 1891 that the immediate revolution could no longer be the party's primary goal and that, instead, the realities of parliamentarism had to be accepted. Rejecting von Vollmar as an 'opportunist', the authors instead share the historical position of left-leaning party leader August Bebel, for whom winning the masses and educating them as conscious class-warriors remained the principal reason for the SPD's parliamentary presence. They also strongly approved of the position taken by Rosa Luxemburg, who, as the intra-party debate continued after the turn of the century, went even further than Bebel. In her 1904 publication 'Social Democracy and Parliamentarism' she claimed that the parliamentary fight for workers' rights had reached its final limit. She was assisted by Clara Zetkin, who demanded a 'shift of appreciation towards extra-parliamentary action' (quoted in Graf and Seiler 1971, 83). What all this makes clear is that a key issue in the debate about reformism around 1900 – as well as about its ideological assessment decades later – was the inner-party conflict about parliamentarism. In other words: a key result of the rise of local, subsidiarity-grounded reformist forces within the SPD was the party's self-depiction as a parliamentary – and therefore pragmatic – political force.

9.1.3 Towards cooperation

Comparable dynamics have been highlighted for the patterns of Rhenish and Westphalian heavy industrialists' political engagement during the 19th century. While for the Centre it was Catholic beliefs and for the SPD the Marxist orthodox program of revolution that had to be overcome to adapt to the realities of the parliamentary system, for the heavy industrialists in the Rhine and the Ruhr, it was their autarkic self-depiction and their liberalist political ideology. While the captains of industry lobbied the mostly conservative Prussian central state authorities for a more liberal regulatory setup, ironically, their political activities seem to have taken place primarily via the political fora of local political and economic self-administration with their close links to the tradition of proto-coordination under subsidiarity. These included city councils and the Rhenish and Westphalian provincial estates. Of course, thanks to the census suffrage, the wealthy heavy industrialists wielded the greatest political influence in these bodies. However, historians have argued that at the same time, they also quickly began to learn about, and to be absorbed into, the workings of local politics (Zunkel 1962).

Finally, one result of this growing pragmatism within the burgeoning political mass movements were first advances towards cross-cleavage cooperation not just within these parties, but also among them. Dating back to the days of the 1848 revolution, there had always been the political potential for social-liberal cooperation. Around of the turn of the century, this question regained urgency given that liberal parties had turned from parties of notables into parties of interest during the 19th century, becoming the primary representatives of the *Mittelstand's* economic preferences. Moreover, it was precisely in the proto-coordinated and subsidiarity-based setup of the wider Rhineland that liberal parties shared their strongholds with the SPD. In municipal government, they played strong roles in in the western Prussian provinces, in Württemberg, Baden and Saxony. Against this backdrop, around 1900, debate about the need for electoral reform and even coalition with Social Democracy arose in parts of the liberal movement. Representatives from the Rhineland discussed these matters in different fora, for instance at the 1907 meeting of Max Weber's *Verein für Socialpolitik* and at a meeting of regional city representatives from the Rhineland in 1914 (Sheehan 1971). In the two biggest cities of Westphalia, Münster and Dortmund, the question of whether or not to work together with the SPD was of huge importance to liberal politicians. In Dortmund, one of the country's heavy industrial centres, their answers seem to have been more ambivalent than a purely conflictive view would suggest at first sight: Liberals switched partners between the Social Democrats and the Catholics repeatedly (Krabbe 1985). In Saxony, meanwhile, the SPD cooperated with the liberal party under the *Mittelstand* activist Gustav Stresemann, the later foreign minister and Peace Nobel Prize laureate (Retallack 1990; Rudolph 1997). And Georg von Vollmar's Bavarian Social Democrats even voted in favour of the regional government's budget in the early 1890s, breaking the tradition of fundamental opposition (Lehnert 1983).

From the perspective of this thesis, however, cooperation between Catholics and Socialists may not have been all that necessary for the turn to coordination precisely because of the strength of cross-class politics already represented within the Centre (Manow and van Kersbergen 2009; Iversen and Soskice 2009). This is confirmed by the fact that during the limitations under Bismarck's anti-socialist laws in the 1880s, the Centre did indeed play the crucial role in shaping the emerging public welfare legislation in a decidedly coordinated manner (see above). Moreover, the *Zentrumsstreit* had revealed the Centre's ambivalence regarding leaving its minority position, while the SPD remained unclear whether to give up the ideal of Marxist revolution. However, as the events of the *Gewerkschaftsstreit* and the *Revisionismusstreit* demonstrated, both parties did ultimately develop in the direction of pragmatic cooperation among each other. How? Again, Thomas' Bredohl's insights on the Rhenish Centre party are extremely helpful. He notes that both parties experienced alienation under Bismarck – from the perspective of this thesis one might add: they faced this hostility also because they represented locally proto-coordinated constituencies in a state whose elites were centralisers. This had a comparable effect on both groups, closing ranks and further fostering the construction of internal coordination, in the case of the Centre under the impact of the *Kulturkampf*, this brought together the Catholic middle class, workers and academics, while for the Socialists, the obvious equivalent were the anti-socialist laws (Bredohl 2000, 130). One may hence well argue that, in the case of Catholic Germany, Bismarckian legislation yielded comparably unintended effects as in the case of the anti-socialist laws designed to fight the SPD: it increased internal coordination and thereby, over the long run, made these parties even more attractive as more centrist forces in the emerging age of mass politics.

Between the two parties, this logic of growing centrism first of all meant increasing competition for the same constituency, the new working classes in the widest sense, from heavy industrial proletarians to *Mittelstand* artisans. This was especially the case after 1890. Up until then, in Prussian *Landtag* elections, workers in the Rhineland had voted primarily according to their religious denomination: Catholics for the Centre, Protestants for the SPD or Liberals (Bredohl 2000, 128). Similarly, the Ruhr heavy industrial working classes were all but solidly socialist: only 20% of the miners were formal members of a Socialist trade union, and even the unionised miners were split four ways among Socialist, Catholic, Liberal and Polish unions, while the voting patterns for the Reichstag in the Ruhr (which was elected by universal manhood suffrage) showed the vote consistently split three ways, among the Socialists, the Catholic Centre Party, and the National Liberal Party (Kleeberg 2003, 23f.). However, with the end of the anti-socialist laws, this distribution started to become fragile. The importance of the economic cleavage increased, challenging the integrative power of Catholicism. The Centre never lost its strong position in parliaments, but still had difficulties attracting new voters. In the Prussian Landtag, for instance, the party never controlled fewer than 43 of the 62 seats from the Rhine Province after 1879. However, its share of voters diminished, although the three-class franchise limited the effect on its seat share. Still, as the third class grew dramatically also due to tax reforms, the Centre started to lose out to the SPD. Between 1903 and 1912, the Centre's vote share in the Rhineland dropped from almost 50 to 34% (Bredohl 2000, 137f.; also Vogel, Nohlen, and Schultze 1971).

As the Centre responded to these dynamics by fielding workers as candidates, while the SPD moved to *Mittelstand* pragmatism, the result was a slowly growing similarity between the two parties in the socio-economic realm. After all, both parties shared a strong opposition to an economic model that they both considered as inhuman and unorganised or inharmonious: most Center party members, for instance, did not see socialism but liberal Manchester capitalism as their main foe, and the main reason for the growing problem of atheism. However, this convergence also increased competition between the two camps, which were now beginning to appeal to the same constituency. This was compensated for by steady reference to the one contested issue left, the great ideological, i.e. religious divide. This took the form of Catholic anti-socialism and socialist anti-clericism. Centre propaganda hence often continued to mirror anti-socialist and anti-liberal polemics (Bredohl 2000, 142f.). At the same time, however, the (idealised) conflict for the same constituency meant growingly similar patterns of intra-party representation (workers in the Centre, artisans in the SPD) and ultimately greater programmatic convergence. This becomes especially obvious in the question of workers' right to strike (also see above): while Catholic social activists were in favour, on the flipside, the unions within the workers' movement were successfully battling the SPD's tendencies for the political-revolutionary instrumentalisation of strikes. Both movements' industrial-relations arms were thus closer to reformism than the ideological remarks at the helm of the parties often suggested – which may in itself be seen as an indication of modern campaigning and mobilisation techniques under growing mass politics. However, what it clearly shows in the context of this thesis is that the result of this growing convergence via competition was that instead of Catholic seclusion or Marxist revolution, both parties faced growing incentives for advocating the strengthening of locally proto-coordinated mechanisms with centuries of tradition, such as strikes, also on evolving national level.

For party leaders, these developments ultimately posed the question of whether they wanted to compete or cooperate. The advantages – or the pure necessity – of the latter strategy became apparent under the electoral law that envisaged run-offs in single-member districts. Surviving this stage of the political contest was a pressing issue, as many influential party leaders experienced themselves. In 1890, for instance, Karl Trimborn specifically blamed the cooperation between Socialists and Liberals in the run-off stage for the Centre's losses in the Reichstag elections. In heavy industrial constituencies such as Duisburg-Ruhrort-Mülheim, Centre candidates, even if they were workers themselves, faced joint opposition from the SPD and the Liberals. Trimborn himself repeatedly won his constituency in Cologne, but this at times entailed a run-off against the SPD candidate (Bredohl 2000, 132ff.). In Bavaria, the SPD's Georg von Vollmar had already in 1894 achieved a deal with the Liberals against the Centre; deals with the Centre have been reported for 1907 in the Pfalz region near Mannheim, and run-off pacts for many SPD revisionist strongholds in municipal politics. By 1912, the Social Democrats struck a nation-wide deal with the Progressives, negotiated by a new generation of soon-to-be SPD leaders in democratic Germany, including Friedrich Ebert and Philip Scheidemann (Steenson 1981, 53). It is against this backdrop that first individual advances to more formal cooperation should be seen, including the run-off agreement between Catholics and Socialists in support of the Christian Social Party's metal worker and later Centre caucus member Gerhard Stötzel in Düsseldorf-Essen (see above). The need to divide this growing opposition of Catholics and socialists by incorporating the Catholic movement into the ruling coalition became obvious to conservative politicians too late. After the downfall of monarchy at the end of WWI emerged a coalition of SPD and Centre, jointly governing Germany's first democracy.

9.2 The Netherlands: Independent organisation, cross-party cooperation

We have seen in the previous chapter that despite its late industrialisation, public welfare schemes emerged quickly out of previously private schemes, either at company-level or in the form of funds connection to guild traditions among the dominant, smaller firms. Moreover, industrial relations took off late but quickly reached into what the literature would call centralised (see chapter eight). In the run-up to WWI, these developments also began to feed into the creation of political pragmatism and cross-cleavage cooperation.

The importance of political pragmatism and Catholic-Socialist cooperation for the evolution of the modern, industrialised Dutch welfare state has been highlighted in the literature. However, this was a coalition only formed after 1945 (Manow and van Kersbergen 2009). This may, at first sight, once more be seen as being in line with the Dutch latecomer status we have already witnessed before, in the context of industrialisation; it may also cast some doubt about the claim that the crucial building blocks of modern coordination were already in place around the time when the world went to war in 1914. In fact, however, in the case of the Netherlands, respective developments should not be seen in the context of inter-party relations alone, but rather – and, in fact, primarily – with a view to dynamics within Christian Democracy (and between the denominational parties within this camp). In fact, the strength of the representation of workers' interests within these parties was probably one reason why the socialist movement struggled for a long time in the Netherlands and only made inroads into government once it had itself formed a new integrated party that was reformist and pragmatic enough to successfully represent a chunk of the Christian-social constituency. Given that cross-class cooperation within Christian parties long predated the post-WWI Christian-Social coalitions in the Netherlands, I will discuss developments in both political camps, Roman and red, as contemporaries referred to them, separately.

9.2.1 The Socialists: Marxist on paper, pragmatic in practice

Although the Dutch Socialists did not become a part of the government until 1946, the party already embarked on the path towards reformism around the turn of the century. Interestingly, in in quite some differentiation from the case of German Social Democracy, the Dutch labour movement's turn to reformism seems to have been achieved in a political inner-party process that was in itself characterised by a comparably high degree of pragmatism. Stefano Bartolini (2000, 81ff.) highlights this characteristic of Dutch socialism in his insightful account, also pointing to similar experiences in Belgium, Switzerland and Scandinavia: the interesting pattern that seems to have been at play in these countries was one where the intellectual dominance of Marxism was hardly ever questioned in programmatic terms. As a result, the major clashes with reformists that characterised intra-SPD politics in Germany of the late 19th century, or the inhibiting impact that respective conflicts seem to have had on forming an integrated party in the first place in France, was something that remained largely absent on the Dutch left. The outcome was a situation where, for instance, German Marxist doctrinaire Karl Kautsky seems to have been hugely influential in programmatic debates in the Dutch Social Democratic League (*Sociaal-Democratische Bond*, *SDB*) and its successor, the Social Democratic Workers Party (*Sociaal Democratische Arbeiders Partij, SDAP*) until WWI. Kautsky was, for instance, consulted on the all-important question of cooperation with bourgeois forces. This programmatic influence was further facilitated as at the SDB's foundation in 1881, its programme had been built on the German SDAP's (initially rather reformist) Gotha program of 1875. In 1894, the newly-founded Dutch SDAP then borrowed its programme more or less directly from the German SPD's Erfurt programme of 1891, thereby following their German comrades', Kautsky-inspired switch back to more Marxist positions.

Yet at the same time, the fact that the Dutch labour movement largely simply imported its programme from Germany already hints at a rather limited interest (or organisational capacity) for great ideological debates. This in itself should be seen as a helpful precondition for the emergence of a practical reformist stance within the party, below an officially Marxist programme. It may have further been aided by the fact that the formation of the SDB occurred based largely on an effectively bourgeois constituency in the late and small-scale industrialising Netherlands where, on top of this, the limitations to the suffrage in place before 1917 served as a further incentive to open up for those parts of society that were actually eligible to vote (Altena 1994). In any case, the result was that,

> in its pre-World War I phase, Dutch socialism can be seen as one of the best examples of the maintenance of an official orthodox doctrine, only slightly adapted to Dutch conditions, and, at the same time, of an increasingly moderate and pragmatic policy pursued by the party majority (Bartolini 2000, 82).

However, even under a largely un-ideological and pragmatic handling of the question of the party programme, the split between Marxists and reformists ultimately led to a division of the party. The practical question of whether or not to get involved in parliamentary politics seems to have made a split unavoidable even if the issue of the written programme had only been of secondary concern. In 1894, parliamentary-minded – and, crucially: regional – circles broke away from the SDB (renamed in 1893 into *Socialistenbond, SB* and forbidden by the Dutch government in the same year) to set up the SDAP, which was as of 1897 represented in the Dutch second chamber. In 1909, eventually, remainders of the radical left were expelled from the SDAP setting up instead a communist party (Altena 1994; Bartolini 2000, 83). Before the outbreak of WWI, the Dutch labour movement had hence already morphed into a pragmatic force of parliamentary politics.

9.2.2 Christian Democracy: Denominational divide, political cooperation

Unlike social democracy, its Christian counterpart was the dominant force in Dutch politics around the turn of the century. Questions of coordination were a crucial issue within the respective parties for two reasons: first, as is typical of Christian parties, shared religious identities offered an umbrella under which different economic constituencies could unite – and negotiate (Manow and van Kersbergen 2009). From the perspective of this thesis, and as we have already seen in the context of public welfare legislation, this shared ideology went along with the representation of existing, proto-coordinated cross-class coalitions on the local level, advocating coordination also in the context of the modern, national and industrialised economies (see chapter seven). This role for religion seems not unlike patterns we have already observed, for instance, for the relationship between *Freie Reichsstädte* of the Holy Roman Empire turning Protestant in the face of the Catholic agenda of imperial centralisation in the 17th century – shared a religious ideology went along with the subsidiarity-based construction of locally coordinated consent, in defence of self-administration.

Second, coordination mattered especially in the case of Dutch Christian Democracy because of the sharp denominational divide between Catholics and Protestants, none of which were represented by the liberal political consensus dominant up until the last quarter of the 19th century, and which were hence organised each in separate parties. Up until the 1860s, the Liberals had been able to divide the Christian constituency along denominational lines, with the Catholic (minority) camp lending support to the government. However, this consensus fell apart over the government's attempts to reform the educational system in a more non-denominational direction. Given the subsidiarity-based *Verzuiling* structure of Dutch society, balancing carefully between divergent constituencies, this of course appeared as an assault on the denominational camps in the system. According to Kalyvas (1996, 192ff.), the reaction was the formation of stand-alone, Catholic and Calvinist political organisations. This shows that as already seen in the context of the Netherland's post-Napoleonic experience and the 1830 break-away of Belgium, the curious balance between contested representational monopolies in the wider Rhineland made any attempt of centralisation almost certain to trigger an organised push-back (see chapter six).

Much like in the cases of early modern state formation and public welfare policies, what happened once the Liberal-Catholic consensus had begun to fade was that local patterns of proto-coordinated (here: religious) organisation did not only resist the onslaught of centralisation, but instead rose to hierarchically higher levels to re-write the rules of the political game in a more coordinated fashion. Out of first local attempts in 1868 grew the 1870 formation of the Roman Catholic Electoral Association of North Brabant (*R. K. Kiesvereeniging Noord-Brabant*), while in the Calvinist camp, Abraham Kuyper's *Standaard* and the Society for Christian National Education of 1861 grew on the national level by quickly expanding to more than 100 local branches. Not unlike the experience of German Social Democracy, the central state's confrontational approach only strengthened internal cohesiveness and ultimately cooperation: as liberal governments pushed the anti-denominational education agenda between 1877 and 1883, this motivated Catholics and Calvinists to strengthen their internal organisational capabilities in order to coordinate both camps: in 1878, the Anti-revolutionary Party (*Anti-Revolutionaire Partij,* *ARP*), the country's first modern party, was founded on the Calvinist side, while the Catholics – still uneasy with the idea of political participation – at first experimented with educational societies before organising in 1888 in the Popular Catholic Union (*RK Volkbond*). One year before, Kuyper had already promoted a *Unio Mystica* between Calvinists, Catholics, and some conservatives, stressing that each constituency would retain their organisational independence. This paved the way to coordination: in the 1888 elections, the confessional organisations struck electoral alliances in each and every Dutch constituency, consequently won the elections in a landslide, and reversed the liberal education reforms in 1889. Influenced by the German Centre Party, the Volkbond subsequently developed into a more cohesive party until 1904 (Kalyvas 1996, 193ff.). While the emerging class cleavage was bridged within denominational parties, the potential threat to encompassing coalitions emanating from the interdenominational divide had already been bridged before the turn of the century. This set Dutch party politics on a path towards political pragmatism.

9.3 FRANCE: THE PREVALENCE OF THE EMERGING CLASS DIVIDE

It will not come at a surprise to the reader of the previous chapters that – in line with the argument put forward in this chapter – France's experience with party politics differed from that of the core Rhineland case of the Netherlands and the wider Rhineland example of Germany. We have already seen in the context of the fate of guilds and chambers as well as public welfare legislation during earlier periods of the 19th century that France never saw the emergence of a meaningful Christian democratic party comparable to the Centre in Germany and the ARP-*Volkbond* electoral alliance in the Netherlands. This development is what we would expect from the perspective of this thesis, given the virtual absence of decentralisation and subsidiarity from the French polity for centuries; it is also in line with the literature's two (complementary) perspectives on the issue. Kalyvas (1996, 114ff.). This highlights precisely a point raised in this thesis with regard to historically much earlier events: that France's rocky 19th century experience with frequent, full-blown regime change (in an extremely centralised polity, one might add from the perspective of this thesis) raised the risks associated with Catholic political organisation. In a nutshell: the next revolution could well mean the prohibition of any Catholic engagement in society, which made a conciliatory strategy appear as the much wiser choice. As a result, when the Third Republic eventually proved to be surprisingly long-lasting and stable, the Catholic camp was without an integrated party-organisational representation, and

> lay Catholic activists remained dispersed and disorganized, the coalitions put together by the church were defeated, and religion proved to be a losing issue in the eyes of all political actors (Kalyvas 1996, 118).

Complementary, Iversen and Soskice (2009) highlight that this absence of Catholic democratic organisation on the national level should be seen as a function of the lack of locally proto-coordinated economic constituencies in France.

This has two implications: first, both the issues of strong centralisation as well as weak local proto-coordination attested separately in the literature should in the context of this thesis be seen as separate aspects of a larger characteristic of the emerging industrialised French political economy: the absence of subsidiarity; and second, we would not expect the same progress towards political pragmatism and grand coalition politics in late 19th century France that we have observed in the wider Rhineland, but when searching for traces of (ultimately unsuccessful) attempts in this direction, we will have to focus on the question of reformism within the socialist camp, as on the political right, no political force existed that could have offered a forum for integration.

9.3.1 The Socialists: *Ministérlialisme* inhibits party cohesion

Shortly after the temporal endpoint of this thesis, in 1918, a period ensued in which the French Socialist Party (*Parti Socialiste, Section Française de l'Internationale Ouvrière, SFIO*) and the German SPD could not have differed more: while the Social Democrats in Berlin were part of a flurry of grand coalition cabinets up until 1928 – and although the German left's approach of coalition and toleration received much support in the SFIO's official journal *Populaire* as well as from the (at that time) de-facto party leader Léon Blum – the French Socialists had for the most part of the Third Republic nevertheless followed the opposite course in terms of practical policy choices: the opponents of any *participation ministérielle* had the upper had within the party up until the early 1930s. This also led the SFIO to become one of the fiercest critics of the SPD over the downfall of German democracy in 1933.

The French Socialists' answer to the question whether or not to join any coalition government with bourgeois forces – effectively the fundamental conflict in the standoff between Marxism and revisionism – had never been answered in a clear-cut manner during the Third Republic. While in Germany, this fight took place largely as a question of policy programme within the ADAV's successor organisation, the SPD (and subsequently between the party and the unions), the standoff in the French labour movement instead left its mark on the very organisational structure and capacity of the Socialist camp: it was only in 1905 and after a series of repeatedly unheard calls from the Socialist International that the SFIO was founded in a merger of the revisionist-pragmatic *Parti Socialiste Français* under Jean Jaurès with Jules Guesde's Marxist *Parti Socialiste de France*, Jean Allemane's syndicalist *Parti ouvrier socialiste révolutionnaire* and a number of independent departmental associations, the so-called federations (Winkler 1991). This step towards late internal consolidation on the political left also reminds us of the comparably greater disparity among French union organisations in industrial relations (see chapter eight).

It is also connected to this issue in substance. Once the merger on the political left had been achieved, and despite the involvement of the revisionist *Jaurèssistes*, members of the French association of labour unions (*Conféderation Général du Travail, CGT*) nevertheless refused to join in, instead in 1910 setting up a small, exclusively reformist party that has been dubbed in the literature France's true republican-socialist (i.e. revisionist) party, the *Parti républicain-socialiste (PRS)* (Billard 1996). This situation left the revisionist wing within the SFIO weaker than it could have been under an integrated organisational solution – one whose emergence may in Germany have admittedly been further fuelled by the external pressure of Bismarck's anti-socialist laws (and in the case of Dutch Christian democracy by the liberal push against denominational education), but which in both Rhineland cases could in any case build on reformist pressures coming from traditions of cooperation coming from below. Moreover, it has been argued that in fact, the way in which the French government, led by Adolphe Thiers, struck back against the emerging leftist movement and its programme in the context of the Paris Commune of 1871, 'made Bismarck's anti-Socialist laws seem moderate in comparison' (Baldwin 1990, 103). Conversely, however, even with the most forceful advocates of reformism not involved in the SFIO, this does not seem to have fostered greater cohesion. Instead, due to its history as a late-united formation of groups with different outlooks and positions, the SFIO remained

> an open organisation and one prone to infiltration (or so-called 'white anting') by the extreme left. This was not the structure of a governing party, disciplined and top-down, but a movement with indefinite aims and a relation to the parliamentary group that was not clear (Bell and Criddle 2014, 33).

The (usual) focus on concepts such as centralisation and top-down steering should in the context of this thesis (and in light of the experience of bottom-up reformism in Germany and the Netherlands) be replaced with the term cohesion. However, what this take does also in its current form reveal is, once again, the different meaning of political decentralisation in France compared to the Rhineland cases: in the setup of the polity as much as in political party, the risk is that decentralisation quickly feeds into disorganisation and a concomitant the inability to act – not because of the lack of top-down imposition, as has often been wrongly (if only implicitly) assumed, but, on the contrary, rather because strict centralisation is a necessary choice given the absence of subsidiarity. While the French Socialists did follow the reformism debate Bernstein had started in the German SPD, for interested politicians such as Albert Thomas it remained impossible to translate respective political currents of the other side of the Rhine (Jousse 2007).

9.3.2 The *Cas Millerand* and the limits of cooperation

The story of looming organisational disintegration and the problems of integrating the French political left are intimately linked with untenable cross-class cooperation. One – certainly correct – way to look at this complex is to turn to the comparison with the first cross-class alliances in the Rhineland cases and state that in the absence of more cohesive intra-party organisation, the construction of cross-party consent remained extremely difficult. In the case of the French Socialists, however, the relationship also went in the other direction, pointing to a more complex, ultimately re-enforcing interplay: one of the main stumbling blocks for the (delayed) creation of an integrated party of the left was precisely the question the wedge issue detected also in the Rhineland: whether or not to join bourgeois forces in government.

In this context, the delayed formation of the SFIO cannot be understood without reference to the *Cas Millerand*, triggered by the independent socialist MP Alexandre Millerand's decision in 1899 to join the republican-radical Waldeck-Rousseau cabinet as France's first socialist government minister. While Jaurès supported Millerand, highlighting the need to avert political pressures extertedby the political right, Guesde found this kind of *ministérialisme* to be incompatible with Marxist ideology. In 1900, the Socialist International intervened, interestingly, with a declaration drafted by German Marxist Karl Kautsky – who within his SPD at home had been unable to defend the dogmatic course against Bernstein and the local reformists. The crucial difference was of course that in France, his condemnation of any cooperation with bourgeois governments bore fruit. In any case, an independent MP without party backing, Millerand lasted in government only until 1902. He subsequently seems to have himself become somewhat of a victim of Jaurès's reformist determination: on the grounds of Millerand's allegedly increasingly rightist political inclinations, Jaurès banned the former minister from his *Parti Socialiste Français* – it appears that it was Jaurès's removal of a crucial stumbling block, which enabled integration with Guesde's Marxist forces and the formation of the SFIO in the following year (Winkler 1991).

The case of Millerand in that sense demonstrates the deep problems with political pragmatism on the French left: while in Germany, the conflict over whether or not to join the government was something that could at least be fought over within one integrated Socialist movement (whose later split in the Weimar period was a crucial factor for leaving democracy defenceless against Hitler's assault), the picture in France was inverse in the sense that the fight over pragmatism inhibited the formation of an integrated political force in the first place. Moreover, the lack of meaningful Christian democracy deprived the *Jaurèssistes* of a potentially natural partner. Even after the 1905 creation of the SFIO, the issue of pragmatism remained to fundamental to be separated from organisational questions: in 1907, René Viviani left the new integrated party so as to become minister of work in the government which the SFIO did not support – he later played a crucial role in setting up the small reformist PRS. Without respective pressures under subsidiarity, the coordinated promotion of political pragmatism on the new national level remained impossible in France.

9.4 SUMMARY

Political pragmatism seems to have risen, in both the Netherlands and Germany, in a bottom-up process out of strong subsidiarity traditions to the new level of emerging, nationwide, mass politics. The presence of strong Christian Democracy as integrating force either within one (Germany) or across two parties and denominations (the Netherlands) resembles the role of urban and peasant Protestantism directed against the Catholic centralisation agenda in the Holy Roman Empire of the early modern period. Similarly, the existence of older patterns of worker representation on the local fed into the rise of revisionism within the emerging labour movement. In this sense, the links to the pre-existence of a subsidiarity-based political order become apparent, while the re-writing of the political rules of the game on the new national level point the construction of the same, subsidiarity-based polities also on this new, hierarchically higher level of the polity. In France, absent subsidiarity traditions, and on the basis of strong centralisation, class-based segmentation seems to have remained stronger than in the Rhineland cases, with little progress towards grand-coalition politics.

Indicator	**Netherlands**	**Germany**	**France**
Major Christian democratic parties	ARP and Volkbond	Center Party	(none)
Revisionism within labour movement	Strong, pragmatism in SDAP	Strong, reformism in SPD	Weak, paralysed SFIO
Cross-class cooperation	Beginning, within ARP and Volkbond	Beginning, within Center, and run-off deals	At best limited, *Cas Millerand*

Table 11: *Christian Democracy, labour, and cross-class cooperation in the late 19th century*

10 CONCLUSION: IMPLICATIONS AND OUTLOOK

Following a short comparative summary in the first part of this conclusion, I will in the second part of this chapter turn to implications for issues under debate among academics as well as policy-makers. This latter part will be divided into three subsections, intended to cursory expand on the findings presented in this thesis and to highlight how they may connect to further debate in the field.

The issue area under discussion in the first subsection is one that still largely falls in the timeframe under study in this thesis, and which has featured prominently in the recent academic debate: the question of electoral reform, specifically the turn to proportional representation just before and shortly after WWI. Given that the academic debate has made substantial conceptual advances on this topic recently, I will not spend too much time on repeating those latest insights here. Instead, I will merely ask which additional aspects may arise for this debate from my findings on subsidiarity and coordination – using the case of Germany as an example. The second subsection then goes beyond the timeframe discussed in this thesis, asking what the findings of my comparative historical analysis may have to add to the assessment of contemporary continuity and change in coordinated market economies. Finally, the third subsection will forge a bridge from the liberalising reforms introduced around the millennium in the two Rhineland countries under study here, the Netherlands and Germany, to the ensuing eurozone crisis. This will highlight the importance of recalling the role of the historically institutionalised complementarity between decentralisation and coordination under subsidiarity for our full understanding of these recent political processes, policy choices, and outcomes.

10.1 BRIEF COMPARATIVE SUMMARY

This thesis has attempted to substantiate the conceptual claim that the complementarity of coordinated economic arrangements with political institutions observed in the literature exists with decentralised rather than centralised-corporatist patterns. However, decentralisation does not take the form of clear-cut, rights based arrangements as they are on display, for instance, in the checks-and-balances system of the United States, with its outcomes of limited government and, therefore, 'market-enabling federalism' (Weingast 1995) in a neo-liberal sense. Instead, what is required in the presence of a much more complex variant of decentralisation, the 'managed co-existence of contested representational monopolies' (Lehmbruch 1996). The institutional complementarity between coordination and decentralisation in the form of these contested representational monopolies took the shape of subsidiarity, the the autonomous self-governance of small, graded but interconnected, organised societal groups which are independent of, but can receive assistance (lat. *subsidium*) from hierarchically higher societal levels, if required (Althusius 1603[1995]).

In very broad brushes, my thesis has traced about 1,500 years of European history up until the outbreak of WWI – roughly the point in time when the new, national and industrialised political economies of the modern age turned either coordinated or non-coordinated. In this context, I have sought do demonstrate that the emergence of the earliest patterns of this subsidiarity model can be traced back at least to the early medieval organisation of local societal life at the geographical heart of Western Europe, in an area roughly along the Rhine. The river – at a geographical barrier, at times a facilitator for inter-regional exchange – was as one crucial factor fuelling the emergence of contested representational monopolies under conditions of political decentralisation. The formalisation as a political theory by Johannes Althusius then occurred during the early modern period, as part of the Calvinist attempt to defend local self-administration against the centralising ambitions of the Catholic Habsburg monarchy ruling the Holy Roman Empire – the process in which the fiercely determined United Provinces fought off both Spanish and Austrian-German, Catholic suppression, gaining independence and local self-administration. Conversely, local, predominantly Catholic networks of producers and employees discovered the normative value of this theory when pushing back against Protestant-dominated attempts of centralisation under the rule of the East-Elbian *Juncker* running the Prussian state during proto and heavy industrialisation, as reflected in Pope XIII encyclical *Rerum novarum* in 1891.

My goal has been to show that over the entire time span covered in this thesis, the institutional complementarity between decentralised-contested representational monopolies and the local economic coordination prevailed in the form of subsidiarity. The mutually re-enforcing link works in two directions. On the one hand, as we would expect with Olson (1965), and like any form of collective action, economic coordination should be less costly to organise in smaller, locally administered production regimes because of more homogenous preferences – here: for specific skills in human capital formation among business and employers – which are thus easier to coordinate. A good example of this is the prevalence of medieval guilds and their successors in the subsidiarity-based polities of the wider Rhineland from pre-industrial to modern times. On the other hand, the collective management of complexity in the political realm becomes possible only thanks to the welfare created under local economic coordination, thereby enabling small polities to maintain self-administration. This becomes clear especially in light of the ultimately decentralised national integration processes, whether in the federal German Reich or the unitary Netherlands, in either case leading to the construction of national polities characterised by strong patterns of subsidiarity. Especially this latter aspect also highlights that more complex and often ambiguous processes seem to have been work that a simple, clear-cut comparison between unitary and federal states would suggest.

Starting out from a review of the earliest traces of the interplay coordination and decentralisation in the literature, and having then analysed the trajectory of their complementarity during the early modern period, the third and fourth parts of this thesis have attempted to show the result of these deeply institutionalised, historical roots: the formation of national and industrialised political economies around 1900 that ultimately saw the creation not just of either coordinated or non-coordinated systems, but a re-writing of the rules of the political game that went beyond this aim, instead constructing national political economies based on subsidiarity in the wider Rhineland. First, the strong institutional complementarity of economic coordination and decentralised-contested monopolies of political representation made it, yet again, impossible to abandon this model of organising local societal life. This is for instance reflected in the pronounced economic strength of the locally coordinated *Mittelstand* (and even the heavy-industrial businesses) in the Prussian Rhine Province – enabling the region to defend local rights of self-administration throughout the 19th century. Second, around 1900, this motivated a process of creating national, industrialised political economies that integrated rather than abandoned these local traditions of subsidiarity on the emerging, hierarchically higher levels. An example of this is the rise of labour councils from local municipalities (and of welfare schemes from individual companies) to the national level in the Netherlands. It is against this – wider – backdrop that the rise of political pragmatism and grand-coalition style politics among revisionist socialist parties and Christian parties with their locally integrative constituency should be seen. The same goes, as I will briefly highlight below, for the turn to proportional representation as an electoral system, which has attracted substantial attention in the academic debate recently. Rather than being imposed top-down around the turn of the century, therefore, the institutional complementarity of decentralisation and coordination reflected in subsidiarity "travelled" from local business and employers' interests on the ground to the level of the emerging national political economies – a process which I have tried to encapsulate in the five-stage model identified for the rise of coordinated arrangements from private to public in 19th century Germany.

The story presented in this thesis is ultimately more in line with the focus on individual (companies') preferences, which theoretically underpin the concept of varieties of capitalism whose historical development is ultimately to be explained here. It also refutes other approaches. Starting with more intrinsically economic factors, late industrialisation does not seem to provide a satisfactory explanation (also Herrigel 1996): Germany and the Netherlands industrialised late, and the Dutch economy even later than its German counterpart, but both turned coordinated based on subsidiarity. Meanwhile, France (of which more below) equally falls into the laggard category, probably right in between Germany and the Netherlands in terms of timing, but remained non-coordinated. Nor is the more specific phenomenon of the emergence of *heavy* industry and the concomitant rise of an industrial workers' movement able to explain the historical origins of coordination, although this idea still regularly seems to dominate the view of many historians (see for instance Haupt 1996): Germany did ultimately develop a considerable heavy industrial sector that fought epic intra-industry fights within the constituency of small and medium sized manufacturing companies (as demonstrated by the early 19th century rift between CVDI and BDI), and on a larger scale also confronted the East-Elbian *Juncker* who thought of themselves as the effective owners of the Prussian and German states. In the Netherlands, however, big companies arose late, and heavy industry was practically absent altogether, leading to the emergence of an economy dominated by small businesses and agricultural producers. Still, both countries turned coordinated, while France, which did see the emergence of heavy industry like Germany, and retained an economically important agrarian sector like the Netherlands (and large parts of East Elbian Germany as well), did not turn coordinated – highlighting the importance of the absence of a subsidiarity-rooted *Mittelstand* constituency.

I have throughout this thesis often criticised the existing comparative historical analysis and political economy literatures for their neglect of ground-breaking work by historians, but regarding the point under discussion here – the question of "late" (heavy) industrialisation – the opposite direction of reasoning may apply: it seems that historians could indeed learn a lot from recent conceptual advances of political economists, for instance on the centrality of employers' interests and the rise of Christian and Catholic political movements for the emergence of modern coordinated arrangements. In fact, respective considerations remind us that probably still the best way to address the issue of "late" industrialisation remains to flip our thinking around and ask the old question again why and how England went ahead so quickly rather than why pretty much everyone else – at least the cases under study here – developed so late (Mokyr 1999).

However, it is, finally, only in the comparison with France that the main point my thesis tries to bring home really becomes clear: France was a – if not the – early centraliser among European nation-states, with little to no traditions of subsidiarity. In this context, institutions representing local economic interests hardly ever resembled anything more than tools for Paris to ensure control over the countryside, for instance under every of the many, politically different systems of the 19th century. However, this is not to say that France never encountered aspects of political decentralisation – it is instead intended to underline that the experience of decentralisation was radically different from that in Germany and the Netherlands, which helps to understand the exact form of political decentralisation at work in the wider Rhineland. From the account presented in this thesis, it appears that the main point of difference was that in those cases in which decentralisation did occur, this could often and quickly take the form of what, as I have argued, has wrongly been attested to the Netherlands: a 'decentralized political organization bordering on the chaotic' (Mokyr 1999, 11). Examples would be the dysfunctionalities of the public pensions system under local governance in the early 20th century, and the limited ability of the socialist movement to gain a role in government given the absence of an integrated party organisation in the late 19th century.

If we expand this list to include the resistance of local economic actors to Versailles centralisation in the 17th century *Fronde* and the fear the Paris revolutionaries of local opposition especially in the country-side after 1789, it should become clear that in the absence of the integrating, coordinating and consensual effects of subsidiarity, decentralisation in France often took the form of a disintegrating, at times violent threat to the system itself. Strong centralisation has hence been the rational answer, for actors otherwise as divergent as the *Roi du Soleil* and the Jacobins. It is precisely this deep, sequential understanding of the French experience – the essence of the comparative historical analysis approach chosen in this thesis – that helps us to grasp even better the specific form of political decentralisation at play in the Rhineland cases: what matters is not only the *presence* of multiple representational monopolies – but the fact that their indeed characteristic contestation ultimately occurs in a framework that allows for their *managed co-existence*. It is this aspect that in the wider Rhineland allows for subsidiarity, gives rise to collective action and therefore enables, via institutional complementarity, economic coordination.

10.2 Implications

As indicated above, this section will briefly ask for the implications of my historical findings for three aspects: first, the academic debate about to the *historical* emergence of proportional representation as an electoral system, using the example of Germany; second, the question of *contemporary* economic reform, liberalisation and dualisation in Rhineland economies and the implications for the design of political institutions uniting coordinated and non-coordinated economies in the eurozone.

10.2.1 Subsidiarity and Germany's turn to proportional representation

The recent academic debate about electoral systems and varieties of capitalism has – broadly speaking – highlighted the early 19th century push to replace proportional representation as a means to structure the newly emerging, national political economies along longer-standing, local traditions of proto-coordination and consensual politics. A key element of this argument is the problem that interest-based party politicians faced under first-past-the-post systems to credibly commit to their core electorate's interest – they had to compete for votes outside their interests in order to win their individual seat (Cusack, Iversen, and Soskice 2007; Martin and Swank 2008). This was problematic in the age of growingly interest-based mass parties. An additionally problematic aspect of majority electoral systems may have been that once elected, members of parliament were difficult to coordinate into one cohesive parliamentary party (Manow, Schröder, and Nickel 2011) – another key perquisite for coordination on the national level. The very brief recourse to this debate already demonstrates that my purpose here is not to repeat this by now well-established argument at length. Rather, the goal is to connect this debate with my argument about the important of political subsidiarity for the emergence of nation-wide coordination.

During the three decades before the end of monarchy in WWI, Germany's national electoral system did not experience any major reform. However, with Bismarck retired and the SPD quickly turning into one of the decisive political powers around the turn of the century, the question of electoral reform gained further momentum. Since the Erfurt party conference of 1891, the SPD officially requested the introduction of proportional representation. The fundamental claim for free and fair elections had already been part of the founding manifesto of the ADAV (Fenske 1972, 24, 100).

Also in the liberal camp, however, discontent with existing electoral arrangements was gradually growing stronger. Extensive debate about electoral reform and its consequences took place between 1890 and WWI, displaying cleavages between left and conservative forces (Gagel 1958). It was not before the general elections of 1912 that Friedrich Naumann's Progressive People's Party (FVP), successor of the *Freisinnige Vereinigung*, publicly demanded the introduction of proportional representation in the national diet (Fenske 1972, 25). A joint motion by SPD and FVP came very close to achieving a majority in 1913 but eventually lacked a few votes to pass the diet successfully. It was thus not until the end of WWI that proportional representation was introduced nationally in November 1918. However, as is well known by now, the shift to proportional representation did occur regionally, in traditional *Mittelstand* strongholds. In Würrtemberg, the Centre party introduced it already in 1906 (Blackbourn 1980; Gawatz 2001). Important intellectual steps into this direction had already been taken during the early 1890s in the publications of representatives of middle-class liberalism such as the Baden lawyer Karl Gageur (Ziegler 1958, 24). Baden adopted an electoral pact system while in Saxony, *Mittelstand* politician Gustav Stresemann successfully lobbied for the introduction of a plurality electoral system in 1909 (Cusack, Iversen, and Soskice 2010a). As a result, electoral systems in these states were often more modern than in most traditionally liberal European countries of the time (Lässig 1998).

The following account draws on Donald Ziegler's (1958, 33ff.) by no means new, but extremely insightful work. First experiments with the gradual introduction of the new system were also made in the Hanseatic City of Hamburg, in Oldenburg in 1907, in the Hanseatic City of Lübeck as well as on the municipal level in Bavaria in 1908. Even in the Prussia, where the government was dominated by East-Elbian *Juncker*, *Mittelstand* traditions in the Western provinces like the Rhineland provoked reform on the municipal level and sparked lobbying – though eventually unsuccessful – on the Prussian and national level. However, the earliest switch to proportional representation occurred not on the regional or municipal, but – testimony of the importance of subsidiarity – on the sub-political level, in bodies of local economic self-administration such as the industrial courts.

Moreover, one of the staunchest advocates of the new system, the SPD, had bad experiences with it from a perspective of pure vote maximisation and power politics. Although workers and employers elected their representatives to the *Gewerbegerichte* separately, the introduction of proportional representation had after 1900 often diminished Social Democratic power. Instead, it bolstered the position of otherwise marginalised Christian, nationalistic and so-called "yellow" unions favoured by conservatives and employers: in 1904 in the case of mercantile courts (*Kaufmannsgerichte*); in 1905, after the coal miners' strike in the Ruhr, during the introduction of the new Prussian mining workers' councils (*Arbeiterausschüsse*); in 1911 in the area of health insurance. In the mercantile courts, the new system replaced the parity in exactly the same fashion as had occurred three years earlier in the industrial courts. The mining councils were set up under proportional representation right away, and health insurance funds switched from contributions-based representation to proportional representation.

Interestingly, however, it was precisely the SPD that showed the earliest and strongest commitment to proportional representation. When it enshrined this demand in its Erfurt programme in 1891, the party had in the previous years already polled more votes than any competitor in elections for the national diet. It had only been the uneven design of constituencies, disadvantaging the quickly growing urban centres, which undermined the SPD's position. In the following two decades, the party's vote share rose continuously and, at the same time, its voters began to geographically disperse across the country, thus dissolving the party's prior concentration on a small number of industrial districts. By 1912, the SPD's electoral performance would have benefitted much more from the mere democratisation of the existing majority system, i.e. a reshaping of constituencies according to changing demographic dynamics, than from the introduction of proportional representation. SPD politicians were well aware of their own short-term weakening associated with the introduction of proportional representation. SPD speakers complained in the Reichstag that '[o]nly where the middle class parties are in the minority in industrial court elections, only where they fail to benefit from the existing electoral system will they utilize proportional representation' (cit. in Ziegler 1958, 33).

Given the fact, however, that the power balance within the workers' movement had clearly moved towards a locally and union-backed reformist position, there was, for instance, broad support in the relevant Reichstag committee for the 1904 compulsory introduction of proportional representation in mercantile courts, implying the SPD's backing. The logic behind the SPD's position is also nicely illustrated by some of the evidence for the case of the 1901 introduction of proportional representation in industrial courts. Despite the obvious short-term negative consequences of electoral reform in these institutions, Social Democrats 'failed to produce articulate opposition to P. R. "The fact,", concluded one writer in 1909, "that proportional representation could cost us mandates in a number of social-political organizations cannot be decisive. It will be offset by other gains"' (Ziegler 1958, 34).

The writer quoted here was reformist strategist Friedrich Kleeis publishing in the SPD's programmatic publication *Die Neue Zeit*. His article gives us an excellent impression of what these 'other goals' really were. In his text, Kleeis quotes the business-prone MP Schack praising the 'immensly conciliatory' ('*ungemein versöhnlich',* (Kleeis 1909, 519)) effects of the introduction of proportional representation on the elections of the Berlin mercantile courts. In Schack's view, proportional representation increased the system's fairness by breaking up a system in which workers were solely represented by socialist unions. Instead, proportional representation benefitted Christian and nationalistic candidates. However, although Kleeis had no illusions about Schack's conservative tactics of breaking socialist dominance, this did not lead him to reject electoral reform. Instead, Kleeis advocated the new suffrage, despite the resulting loss of power on behalf of the unions. Hence, despite the obvious price to pay for parliamentarism, the gain of negotiating industrial relations face-to-face with employers in legitimate institutions more than outweighed it.

This is not only in line with the literature's recent argument that underlying the turn to proportional representation were hopes of bringing the workings of the national political economy better in line with locally coordinated traditions. One further specification of this argument arises if we keep in mind that once Germany had turned to proportional representation in 1919, a nation-wide party list existed next to regional ones. For the case of the SPD, it has been documented that party leaderships on both levels became the main power brokers in the crucial process of compiling the lists (Hunt 1964; Nohlen 1990). This did not only offer another opportunity for further party consolidation, essentially allowing to integrate formerly independent-minded MPs into one cohesive parliamentary party that could strike coordinated deals on the national level (Manow, Schröder, and Nickel 2011). It also ensured that this centralisation in the hands of party leaderships occurred in a way that continued to represent different regional constituencies. In this sense, subsidiarity prevailed in that the rules of the national political game were indeed rewritten to align them with a new, national economic reality that had its institutional groundings, as we have seen, in local patterns of proto-coordination.

However, the turn to proportional representation did not only occur first on the level of regional politics. Instead, self-administered bodies of economic coordination between workers and employers, most importantly, the industrial courts, marked the first fora in which political and economic actors could study and experience the effects of that electoral system. The result was their endorsement of proportional representation also in the national political system, which once more demonstrates that the main innovations towards coordination came, first, out of the economic realm rather than from an authoritarian government, and second, rose from the local to the national level in a bottom-up fashion. The turn to proportional representation, especially under the inclusion of regional lists, may not only have to be seen as the outcome of choices on the national and regional political levels to coordinate the emerging national economies of the late 19th century, but beyond that, as an effort to actively create contested representational monopolies also in the new, national industrialised political economies, with some actors deliberately weakening their immediate power position. What motivated the SPD to cling on to proportional representation was the desire to replace geographic voting with voting for communities of interest (Pilon 2013). Respective electoral reforms may have been part of a larger project, the construction of a national political economy based on subsidiarity.

Finally, against the comparative backdrop of this thesis, it is no surprise that the Netherlands – neutral during WWI – introduced proportional representation in 1917 (Carstairs 1980, 60ff.). In France, the question of proportional representation was in the internal debate within the SFIO closely linked to the issue of reformism, with Jaurès successfully pulling his party in that direction (Baldwin 1990, 105, fn. 45). Nevertheless, the resulting 1919 electoral system did not fully pull France into the proportional representation camp, instead reflecting the underlying political compromise between Socialists and Radicals in that it combined elements of proportionality with aspects of a majority system. In any case, this brief period in which elements of proportionality were present lasted only until 1927 (Carstairs 1980, 176).

10.2.2 Varieties, continuity and change in contemporary capitalism

The debates about continuity and change, as well as variety and convergence in national capitalisms seem to come and go in turns. Born out of the dominant globalisation discourse of the 1990s was the prediction that global convergence towards a unitary, minimalist welfare model was the inevitable consequence of the new, world-wide competition for corporate and financial investment (Drezner 2001; Kurzer 1993; Strange 1996). As opposed to this, the literature on social production regimes and varieties of capitalism had, from multiple perspectives, since the 1980s provided compelling evidence for the persistence of distinct national models of capitalism (Albert 1991; Esping-Andersen 1990; Garrett 1998; Iversen, Pontusson, and Soskice 2000; Kitschelt 1999; Streeck and Yamamura 2001). Ever since, however, institutional change has been on the upsurge again: the postmodern pressures of de-industrialisation, globalisation and liberalisation have threatened coordination. The outcome has been growing dualisation between those inside and outside the formerly all-encompassing coordinated arrangements – a pattern politically dangerous especially for social democratic parties (Rueda 2007; Streeck 2009; Palier and Thelen 2010; Fleckenstein, Saunders, and Seeleib-Kaiser 2011). From this perspective, and with a view to overall levels of equality in any given society, the Rhineland model appears to have been less of a structurally stable variant of national capitalism, but rather a short-term feature of the social democratic post-war era (Soskice 1990; 1991; 1999; Streeck 1992; 1996; R. Boyer 1996; Iversen 2005; Thelen 2014).

At the same time, however, the concept of dualisation rather than outright de-coordination highlights that a coordinated core of skill-dependent manufacturing exporters has survived (Pontusson and Swenson 1996; Iversen 1996; Iversen and Soskice 2009). In this sense, and as has been noted in recent studies, much of the at times fierce debate between advocates of continuity and change in contemporary capitalism may boil down to both camps ultimately talking about two fundamentally different issues: while there can be no doubt that overall levels of equality have changed across developed democracies, this does not rule out that coordinated arrangements in economically powerful core sectors – such as high-end manufacturing with its sustained, substantial contribution to overall GDP in many of those economies labelled coordinated under the varieties of capitalism paradigm – have in fact proven remarkably stable. In fact, sustained patterns of relatively generous unemployment protection and welfare provision at a continuously coordinated core are a logical precondition for the claim of growing dualisation (and overall increased levels of inequality) between this core and the less protected, predominantly low-skilled workforce in the newly liberalised sectors surrounding it – to the degree that this perseverance of coordinated patterns in specific parts of some political economies has explicitly been described as problematic in some recent, highly insightful accounts (see Thelen 2014).

It is precisely at this latter point that the historical-institutionalist analysis presented in this thesis is also intended to make a contribution to the theoretical debate in the field. Many of the institutions that had long guaranteed high levels of overall equality were, from a corporatist perspective, indeed dependent on a powerful state (Schmitter 1974; Crouch 1994; van Wijnbergen 2002; Martin and Thelen 2007; Martin and Swank 2008). They have been vanishing for decades. At the same time, many developed political economies never developed comparably coordinated arrangements in the first place. Against this backdrop, the historical-institutionalist analysis of the deep nexus of the mutually reinforcing complementarity of political decentralisation and economic coordination under subsidiarity would ideally provoke some debate about the curious absence from the academic debate of any conceptual mechanism that could explain why in places such as Germany, existing coordinated institutions of human-capital formation have historically been allowed to reproduce when the experience of many arrangement that had long guaranteed higher levels of overall equality demonstrated that they could equally have ended up being altered or abandoned altogether.

Many critics of the initial varieties of capitalism paradigm may doubt that such a conceptual mechanism is really required when a simple analysis of economic preferences may also be able to do the trick (see, for instance, Rueda's contribution in Howell, Culpepper, and Rueda 2015 for a succinct example of this argument). No doubt, such a parsimonious narrowing of the analytical angle is definitely helpful to shed greater light on the precise role specific actors responsive to economic pressures have been playing in the postmodern push for liberalisation – for instance, political parties on the centre left (Rueda 2007). However, the perspective brought forward in this thesis may have demonstrated that at the very least, there is no harm in asking the obvious follow-up question: why and how did the doubtlessly crucial economic interests and preference develop in the first place, and why do they tend to be distributed differently across the geographical space? Once these questions have been thrown up – in other words: from a perspective that does not simply picture economic interests as uniformly given externalities – it may become clearer that attempts at deeper historical and institutional accounts are not only warranted but, in fact, required. The decentralisation-coordination nexus under subsidiarity as the conceptual mechanism identified in this thesis may contribute to the theoretical debate by demonstrating the value of an analysis that treats patterns of political organisation as crucial institutions in their own right.

The value of taking political institutions seriously for themselves may become clearer if we widen the perspective beyond the critics of varieties of capitalism. Studies rooted more firmly in comparative institutional approaches have themselves devoted remarkably limited amounts of attention to the effects of political institutions as such. Progress has certainly been made in the recent debate about suffrage reform, highlighting the importance of electoral systems, and in that sense genuinely political institutions for the emergence of modern variety in economic organisation (Martin and Swank 2008; Cusack, Iversen, and Soskice 2007; 2010a). However, this is not only one specific aspect of 19th century politics, but also an approach that remains grounded in a view on the choice for specific institutional designs as a more or less direct function of given economic preferences. In this sense, they remain in line with the treatment of institutional complementarities in the context of the initial varieties of capitalism paradigm: their analysis has from the beginning remained largely focused on the interplay between primarily economic institutions such as modes of wage bargaining, company financing, and of course vocational skill provision (see Hall and Soskice 2001).

The critics of this supposedly apolitical approach has consequently bemoaned that this spotlight on economic equilibria of rational firm and workforce behaviour has led to a remarkable blindness for the political processes driving either institutional change or stability. For the maintenance of distinctly national varieties of capitalism, periodical reaffirmation has from the onset been said to be of importance (Hall and Soskice 2001, 14; Hall 2007), but the political organisation of these processes has remained largely undefined. Arend Lijphart's (1999) typology of democracies points to the connection between decentralised political institutions and his corporatist organisation of economic interests, but the analysis has mostly remained limited to the identification of the correlation. In response, scholars of institutional change have started to analyse the political battles behind currents of changes in economic institutions, but the politics have usually been addressed separate from the very institutional setup they discuss (see Hall and Thelen 2008; Mahoney and Thelen 2010; Streeck and Thelen 2005; Thelen 2003; 2014). It may be this ultimately still rather limited treatment of the political process (limited to politics and policy, as it were, but largely dismissive of polity) that has, for instance, benefitted the survival of – from the perspective of historiography: outdated – clichés about the entirely authoritarian, top-down imposition of the first patterns of coordination in places such as 19th century Germany, even in most historical-institutionalist accounts of the country's coordinated market economy. As long as our take on the role of political institutions remains limited, we may misinterpret the politics driving processes of capitalist continuity and change.

Against this backdrop, the complementarity and mutually reinforcing interplay between political decentralisation and economic coordination under subsidiarity analysed in this thesis may contribute to the theoretical knowledge in the field by demonstrating that economic preferences are often shaped in the first place in the interplay with political institutions with which they co-develop in institutional complementary. The conceptual argument presented in this thesis therefore moves beyond both economic equilibria depictions of coordinated stability and perceptions of political contestation as mostly exogenous. Instead, I highlight that while the design of political and economic institutions is determined in political debates, these political processes do not take place outside the very institutional context they negotiate. The choice for coordination is rational (Williamsonian), but not a purely contractual act; it is political (Durkheimian), but not free from pre-existing constraints (see Streeck 2009). Institutional complementarities between the political and economic realms shape the power dynamics defining the outcomes of the battles over institutional design. The analysis of processes of continuity and change in contemporary capitalism should consequently pay greater attention to this crucial role not just of politics and policy, but also polity.

10.2.3 Economic reform and the future of Europe

The trajectory that our two Rhineland cases – whose history has been discussed in this thesis – have taken since the early 2000s reflects many aspects of the aforementioned theoretical debate about continuity and change. On the macro-societal level – this is to say: with a view to equality – it is clear that the labour-market liberalisation and welfare cuts enacted under Chancellor Gerhard Schröder's *Agenda 2010* in Germany (Seeleib-Kaiser, Saunders, and Naczyk 2011; 2012) and by Dutch Prime Minister Wim Kock's reference to the polder model marked a watershed, a change towards growing levels of inequality. In both countries, the resulting insider-outsider problems have indeed caused grave, structural problems in the polls for the SPD and the *Partij van de Arbeid (PvdA)*, respectively. At the same time, both parties have remained available for centrist grand coalition policies over the last years. Meanwhile, traditional workers-employers coalitions in economic self-administration appear to have prevailed in the all-important export and manufacturing sectors (Hassel 2011; Reisenbichler and Morgan 2012). Consequently, current-account imbalances came to play a crucial role in the making of the eurozone crisis, reflecting persistent differences in national economic organisation, and pitting the rest of the eurozone against a Germany-led "core" with its continued, very coordinated ability to effectively increase competitiveness in its core sectors via wage restraint (Hall 2012; Soskice and Hope 2015; Johnston and Hancke 1999).

How – if at all – do the historical-institutionalist findings in thesis have to add to this debate? One way to answer this question is to highlight the crucial importance of a broader perspective on coordination – as an aspect of societal subsidiarity – for our understanding of the initial Rhineland reforms in the early 2000s and the result this has had for more centralised eurozone partners ever since 2008, at the latest. Such an approach would highlight not just the economic impact of coordinated wage restraint organised by sub-political players such as organised workers and employers; crucially, it would also shed a light on the political institutions and processes allowing and fostering these patterns self-administration. Against the backdrop of my historical findings presented in this thesis, such a take on, say, Germany's *Agenda 2010* reform would sound rather familiar (and in that sense, not post-modern at all): consider, for instance, that the initial reform proposals compiled for the Schröder government by former Volkswagen manager Peter Hartz ("Moderne Dienstleistungen Am Arbeitsmarkt: Vorschläge Der Kommission Zum Abbau Der Arbeitslosigkeit Und Zur Umstrukturierung Der Bundesanstalt Für Arbeit" 2002) had envisaged an even more encompassing liberalisation programme than what was ultimately achieved under the government's Agenda 2010. The ensuing legislative process and the eventual outcomes seem to reflect century-old traditions of societal subsidiarity if we broaden our perspective beyond the question that was understandably dominant in the political debate at the time: the issue of equality. Consider only three examples from areas that have featured prominently in the historical analysis presented in my thesis so far.

First, regarding skills protection, the report's proposal of so-called *Ich-AGs* entailed at least implicitly the abolition of existing master craftsmen regulations, as unemployed workers would have been enabled to effectively set up their own business as self-employed owners in any craft. While the report remained silent on this politically toxic issue, the government subsequently proposed to limit the full *Meisterzwang* to 29 out of previously 94 trades – but only for journeymen with at least ten years of experience, out of which five had to be passed in a leading position, and assuming that the job was not dangerous. The (implicit) liberalisation proposal was further watered down, tellingly, due to the opposition alliance of Christian Unions (CDU/CSU) in the Bundesrat, whose support was required, thereby from below ensuring the continuation of the full *Meisterzwang* in 38 trades, beyond the government's initially mild liberalisation proposals.

Second, with a view to welfare provision, the report had envisaged to streamline the provision of the new unemployment and incapacity benefits by bundling them in only one administrative authority, so-called *Jobcenters*. However, the required search for compromise between in the Bundesrat, and amid staunch CDU/CSU insistence on the principle of subsidiarity, the complex outcome were local working groups (*Arbeitsgemeinschaften, ARGE*) uniting the employment agency as a federal authority responsible for the provision of unemployment benefits on the one hand, with the respective local municipality as the provider of services such as housing or childcare benefits on the other. This was subsequently ruled unconstitutional by the country's highest court, given that it was seen as an infringement on municipal rights of self-administration if local authorities had to provide services decided upon by a federal agency (BVerfG, Urteil des Zweiten Senats vom 20. Dezember 2007 – 2 BvR 2433/04 – Rn. (1-228)). What is striking from the perspective of this thesis is that even after the required legislative constitutional adjustment passed by the grand coalition in 2010, the joint or locally-independent provision of welfare services remains possible, while the centralisation of tasks on the level of the federal employment agency – an option initially favoured by the SPD in the early 2000s – remains impossible (§§ 6a-d Sozialgesetzbuch (SGB) Zweites Buch (II) – Grundsicherung für Arbeitsuchende). The result is a subsidiarity-based setup in which local administrations continue to play an influential role.

Third, the role of political actors should have already become clear by the brief sketches presented under the two previous points: the opposition Christian Union defended the principle of subsidiarity and specifically the inclusion of municipal administrations grounded in local economic contexts; at the same time, this outcome was enabled by the constitutional requirements of subsidiarity-based co-decision in the first place. On the political left, meanwhile, it was an in that sense clearly reformist-minded social democratic party that pushed the agenda, thereby representing the competitiveness-focused interests of skilled and organised workers much more than overarching political goals of solidarity and equality.

Against the backdrop of my historical analysis, this very brief outline of more recent events will probably have reminded the reader of the way in which existing patterns of subsidiarity remained influential in the face of early-modern and modern attempts to centralise and liberalise coordinated arrangements. More specifically, in light of the historical account presented in this thesis, it appears that the liberalisation measures that were ultimately passed – with the lowering of benefits for the long-term unemployed at their core – mostly affected those parts of the population that had benefitted from the post-WWII (corporatist) expansion of redistributive measures beyond the coordinated manufacturing core, but whose position was in this sense not protected by the existence of complementary, (bottom-up) institutions of societal subsidiarity, as was the case for skilled workers and *Mittelstand* artisans in the all-important export manufacturing sector.

Finally, looking beyond these reforms, recent, insightful studies have highlighted implications in the context of the eurozone crisis. In this context, Anke Hassel has raised one particularly interesting point: analysing the crisis from a varieties of capitalism perspective, she highlights that the institutional setup provides actors in the Rhineland countries' southern eurozone partner economies with structural incentives to seek compensation and protection from the state – a very different situation, especially if read against the backdrop of the findings presented here on deeply-rooted traditions of subsidiarity and self-administration in Northwest Europe. With a view to Berlin's insistence on reform conditionality in eurozone bail-out programmes, she concludes:

> For policy-makers in debtor countries, it is, therefore, not the economic adjustment process that is a precondition for financial integration, but the political process of detaching economic actors from the policy process (Hassel 2014, 31).

It should be easy to see how the findings about deeply-ingrained subsidiarity traditions in my thesis connect to respective claims – not just in further substantiating this point by means of a detailed historical analysis, but also by highlighting a major problem of this political programme, to the degree that this is indeed what Berlin is pursuing. Against the backdrop of my historical findings presented here, the German-led reform programme for the eurozone identified by Hassel appears very much as an attempt to transport patterns of subsidiarity – local collective action based on de-politicised self-administration – to the rest of the currency union. However, the comparison of the Rhineland cases with France – and, for large parts of the country's history, with East-Elbian Germany – should not only have made it clear that there is principally nothing "better" or "worse" about different models of organising political economies. More importantly, if a key outcome of this thesis is that we have to see economic coordination as part of a wider societal setup based on subsidiarity, and that the design of institution in the political realm should therefore be taken seriously, then there is no reason to assume that a country like France with centralised, non-subsidiarity based traditions as deeply ingrained as the opposite Rhineland model in Germany, would find it easier or even politically desirable to abandon these institutions in favour of a Dutch-inspired setup – especially in the absence of market pressure in sovereign bond markets.

For all the importance of Germany as the leading political and economic player in Europe right now, the ultimately more important determinant for the future of the common currency may well be the question on which side of the debate France will eventually settle. The Rhineland model has demonstrated over centuries that it is good in coordinating competitiveness by means of subsidiarity. However, French institutions are as deeply ingrained, including a much more political – rather than legalistic, self-administered and sub-political – understanding of societal processes. Berlin may currently be defining the course in the eurozone crisis, but ultimately, the key to the future of Europe may well lie in Paris.

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