

Exit, voice and the mobility of capital

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The *Institutio* was written by a refugee and addressed to a king who persecuted his fellow believers. Its dedication to Francis I asked for toleration and argued that the Protestants were loyal subjects. When toleration was refused, the French Protestants faced a choice that the economist Albert Hirschman would later describe in terms of exit and voice: they could stay and protest, resist or conform, or they could leave.¹ Calvin himself chose exit, and so did hundreds of thousands of Huguenots over the following century and a half, culminating in the great emigration after the Revocation of the Edict of Nantes in 1685, which the companion volume describes as the second Refuge.

Exit was also an option for capital. The refugees took with them whatever wealth they could, while those who could not leave sometimes sent their capital abroad for safety. The mobility of capital across borders, which allowed persecuted minorities to protect their wealth, was one of the foundations of the Protestant financial networks of early modern Europe. It also constrained the power of rulers: a king who persecuted his most productive subjects risked losing their wealth and skills to his rivals. Louis XIV's Revocation of the Edict of Nantes is often cited as an example of a political decision whose economic cost was borne by the state that took it and whose benefits accrued to the states that received the refugees, among them the Swiss cities, Brandenburg-Prussia, the Netherlands and England.

The mobility of capital remains a central question of modern finance. States compete for mobile capital through their tax systems, their legal protection of property and their political stability, and capital moves to where it is treated best. The Swiss financial centre has benefited from this competition for two centuries, receiving the capital of those who feared confiscation, inflation, war or excessive taxation at home. The international measures against tax evasion and harmful tax competition, from the OECD's work on harmful tax practices to the global minimum tax of Pillar Two,

examined in Parts E and G, are attempts to limit the exit option of capital. The Reformed refugees who took their wealth to Basel and Geneva in the sixteenth and seventeenth centuries exercised an option that modern states seek to regulate.

1 Notes

1. Albert O. Hirschman, *Exit, Voice, and Loyalty. Responses to Decline in Firms, Organizations, and States*, Cambridge (Mass.) 1970. To be verified. ↩

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