

Brandenburg: the policy of attraction

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The contrast with Brandenburg is instructive. On 29 October 1685, eleven days after the revocation, the Elector Frederick William issued the Edict of Potsdam, which invited the Huguenots to settle in his lands. It offered tax exemptions of six years for urban property and ten years for farmland, free choice of the place of settlement, free housing in abandoned properties, free building materials and land, exemption from customs duties on the refugees' assets, French-language churches and schools, and legal equality without discriminatory taxes. About 20,000 Huguenots settled in Brandenburg- Prussia.¹ Economic historians have studied the long-term effect of this immigration on the productivity of Prussian textile manufacturing and have found a persistent positive effect in the towns where the Huguenots settled.²

The Edict of Potsdam was an early example of a deliberate policy to attract foreign human and financial capital through privileges. Zurich in 1555 and again in 1699 pursued the opposite policy: it offered protection but not privileges and expelled the most successful Huguenot entrepreneurs when the guilds demanded it. The comparison anticipates a choice that states still face today. A state can try to attract wealthy and skilled immigrants with tax privileges and simplified residence rules, as Switzerland does with lump-sum taxation and Italy with its flat tax for new residents (Chapter E.V), or it can treat them like other immigrants and rely on the general attractions of its legal order. The last section of this chapter examines the instruments that modern Swiss law offers.

1 What refugee capital brings

The early modern refugee experience suggests some general observations about the economics of migrating capital. Refugees rarely brought large amounts of liquid capital, since flight usually involved the loss of real property and the confiscation or forced sale of assets. The Locarnese lost

much of their property in Locarno, with legal consequences that are discussed in Chapter B.I. What refugees brought were human capital, commercial relationships and the trust that bound members of a persecuted minority together. Their success depended on the institutions of the host society: on the security of property and contract, on access to markets and on the possibility of eventually acquiring full rights.

The Huguenot network of the eighteenth century, which the *Historisches Lexikon der Schweiz* calls the "Huguenot international", rested on matrimonial alliances between Swiss bankers of Huguenot origin and relatives who had stayed in France or had fled elsewhere. It contributed to the success of the printed cotton (*indiennes*) industry and to the rise of Geneva and Basel banking.³ The Locarnese network was older, smaller and more regional. Both cases show that diasporas convert dispersion into an asset when they can rely on stable host institutions. The modern private banking centres of Switzerland, Zurich, Geneva and Lugano, still live in part from the same mechanism. They offer families whose members and assets are dispersed across several countries a stable legal base from which to manage that dispersion.

2 Notes

1. Wikipedia, "Edict of Potsdam", https://en.wikipedia.org/wiki/Edict_of_Potsdam (consulted 4 October 2026). ↩
2. Erik Hornung, "Immigration and the Diffusion of Technology: The Huguenot Diaspora in Prussia", *American Economic Review* 104/1 (2014), 84–122, <https://www.aeaweb.org/articles?id=10.1257/aer.104.1.84> (consulted 5 October 2026): combining Huguenot immigration lists of 1700 with Prussian firm-level data of 1802, the study finds "substantial long-term effects of Huguenot settlement on the productivity of textile manufactories". ↩
3. Tosato-Rigo, "Réfugiés protestants" (above), section "Influence des réfugiés". ↩

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