

CHAPTER 1A. A BRIEF INTRODUCTION TO PREINDUSTRIAL EUROPE

The chapters that follow draw on the economic and political history of preindustrial Europe to derive a theory of economic progress. The focus is not on the history, but on what we can learn from it. But some familiarity with the history will be helpful in providing context. To that end, and for later reference, I offer here a brief overview.

THE PATH OF ECONOMIC PROGRESS

We will draw principally on the period between the twelfth century and the early seventeenth, with some attention to what came before. In terms of economic progress, this period can be divided, with considerable simplification, into four sub-periods:

- The expansion of the Commercial Revolution (c.1100 to c.1300)—a period of peace and economic progress;
- The crisis of the Long Fourteenth Century (c.1300 to c.1450)—a period of war and economic regress;
- The expansion of the Long Sixteenth Century (c.1450 to c.1580)—a period of renewed peace and economic progress;
- The crisis of the Long Seventeenth Century (from c.1580)—a period of war and overall economic stagnation.

This periodization abstracts, of course, from a much more complex reality. In particular, the pattern it describes was far from uniform across all of Europe. During the two expansions, some areas progressed much faster than others. Conversely, during the crises, some areas suffered much less than others. For example, while the seventeenth century was an age of crisis for much of Europe, for the Dutch Republic it was a ‘Golden Age’.¹

¹Furthermore, within each of these periods there were shorter-term fluctuations. Some were related to predation: for example, the French incursion into northern Italy that began in 1494 devastated that region for several decades in the midst of a generally peaceful and prosperous period. Other short-term fluctuations were more like modern business cycles: Genoa, for example, enjoyed a boom from 1248 to 1254, followed by a slump—accompanied by bank failures and political unrest—that continued through 1262. ((Lopez 1987), (de Roover 1948) Ch. 16)

In the account that follows, I will emphasize the role of commerce and predation, respectively, in the alternating periods of economic expansion and crisis. However, nature too played a role. In particular, changes in climate had a significant impact on a predominantly agrarian economy. The expansion of the Commercial Revolution coincided with a general warming, and the crisis of the Long Fourteenth Century with a general cooling that brought floods, famines, and widespread malnutrition.² In the second half of the fourteenth century, a great pandemic—the Black Death—ravaged Europe, killing between a third and a half of the population: the economic impact was considerable.

Before we examine our four sub-periods in greater detail, it is useful to review briefly what came before. The earlier history sets the scene for our story and establishes its starting point.

BEFORE 1100

The second millennium before the current era (BCE) saw the development of a flourishing commercial economy in the eastern Mediterranean. For reasons that remain obscure, but which certainly included war, this period of economic expansion came to a sudden end around 1200 BCE.

Commerce seems to have recovered around 800 BCE, initiating an economic expansion that lasted for about a thousand years. Trade, ‘the extent of the market’, expanded to encompass the whole of the Mediterranean basin and then spread northward into continental Europe. The pace of this economic expansion accelerated in the first century BCE when most of the area came under the control of Rome. The early Roman empire, especially from the time of Augustus, substantially got government right—at least in its relationship with the economy. Government exaction was modest; the government provided a stable currency and good public order; and it allowed a great deal of local independence. The result was the development of a remarkably sophisticated and productive commercial economy throughout the empire.³

²(Harvey 1991)

³On the pre-Roman economy, see (Grantham 2006). On the economy of the early Roman empire, see (Temin 2006).

The long economic expansion of the ancient world came to an end in the third century of the current era. It was ended by a severe fiscal and monetary crisis in the Roman empire, the result of both internal and external conflicts. A sharp increase in government exaction in the form of high taxes and of debasement of the currency, accompanied by pervasive and rigid controls, devastated the economy. The ultimate collapse of the western empire in the fifth century was merely a landmark along a path of general economic decline and political disintegration; the Germanic invasions were more a symptom than a cause of this decline.⁴

Economic decline continued under the Germanic kingdoms that succeeded the empire. The pace and depth of the decline varied from region to region, depending on the timing and the extent of war-related turmoil and predation.⁵ In some regions—Britain, for example—standards of living fell far below their pre-Roman levels. By the seventh century, the population of Western Europe had shrunk to perhaps half or less of what it had been in the first century.⁶ Urbanization steadily declined, with towns shrinking to a fraction of their former size. The population of Rome itself fell from a peak of about a million in the first century to as little as twenty thousand in the seventh.

The decline bottomed out first in northwestern Europe in the sixth century. There, in the Low Countries and in northern France, the Merovingian Franks established a strong kingdom. With the benefit of the resulting political stability, commerce began slowly to re-emerge. The Carolingians, successors of the Merovingians, and in particular Charlemagne (768-814), expanded the Frankish territories into an empire that encompassed northern Spain, Germany, and northern Italy. Trade expanded together with the empire. In particular, the ninth century conquest of northern Italy connected the growing Frankish economy with a reviving economy in the Mediterranean.

⁴(Temin 2006), (Bernardi 1970), (Tainter 1988) Ch. 5

⁵(McCormick 2001), (Wickham 2005), (Ward-Perkins 2005)

⁶The decline was accelerated by a series of plagues. The deadliest of these was the Plague of Justinian (probably bubonic plague) that struck in 541 and returned periodically for two centuries. Spread by shipboard rats it was particularly devastating to what remained of maritime trade.

With the economic recovery that began in the late seventh century, the population of western Europe ended its decline and began slowly to recover. There was also a slow increase in urbanization.⁷

This burgeoning recovery of the European economy was interrupted in the ninth and tenth centuries by a resurgence of war and predation. Civil war broke up the Carolingian empire from within, while a series of large-scale raids and invasions by Vikings, Magyars, and Muslims battered it from without. These events disrupted trade, temporarily slowing the pace of economic recovery.⁸

THE EXPANSION OF THE COMMERCIAL REVOLUTION (C1100-C1300)

In the eleventh century, the raids and invasions abated and the economic expansion that had begun in the seventh century regained momentum. The following two centuries constitute the first of the four sub-periods we will examine in depth—the expansion of the Commercial Revolution. We begin here because this was the first period of significant economic development in almost a thousand years—one that laid the foundations for much of what was to follow.

The breakup of the Carolingian empire had divided predatory territorial government into a number of separate kingdoms. In each, the king who ruled at the center was weak, and his vassal lords correspondingly strong. The Church, with its universal presence and its great wealth, was an important arbiter of power. Cities succeeded in achieving varying degrees of independence under their own associational governments by playing off against one another king, lords, and church. In northern Italy, cities gained formal independence; elsewhere they remained formally subject to lords or kings but won considerable freedom nonetheless to order their own affairs.

This political environment proved conducive to rapid and widespread economic progress. Trade expanded enormously: for example, the value of goods moving through the port of Genoa doubled between 1214 and 1274 and then more than doubled again over the subsequent two decades.⁹ Stimulated by expanding trade, production flourished.

⁷(McCormick 2001),(Wickham 2005)

⁸(McCormick 2001), (Wickham 2005)

⁹(Herlihy 1958) Preface

In agriculture, rising prices and rents stimulated a significant increase in the area under cultivation: forests were cleared, coastlands drained, and new territories to the east opened up for colonization. Industry blossomed too—particularly the mining of silver in Germany and the manufacture of textiles in the cities of northwestern Europe and northern Italy.

Between 1000 and 1300 the population of Europe almost doubled, from about 40 million to about 75 million. Urbanization increased too. In 1000, fewer than five per cent of the population of western and central Europe were living in towns of 5,000 or more. By 1300, that percentage had more than doubled. And in northern Italy and in the Low Countries, rates of urbanization approached 30%. In 1000, there had been only a single western European city, Cordoba, with a population of over 100,000—and that city was Muslim. By 1300, Paris, Venice, Milan, and Genoa had all passed the 100,000 mark.¹⁰

This extended period of prosperity was also a period of significant cultural achievement. Science and mathematics, art and music—all saw important advances. This was the age of cathedral building and of the foundation of great universities. “In cultural and intellectual history this period is one of the most brilliant in the annals of Europe...The twelfth and thirteenth centuries... were times of extraordinary hope and extraordinary economic and social progress in which the whole of Europe shared.”¹¹

THE CRISIS OF THE LONG FOURTEENTH CENTURY (c1300-c1450)

The rapid economic progress of the Commercial Revolution came to an end with the crisis of the Long Fourteenth Century. The reason was the familiar one—a sharp increase in the incidence and severity of wars and in their accompanying predation.¹²

There had, of course, been conflicts during the expansion of the Commercial Revolution, but nothing to compare with the number and extent of the wars of the Long Fourteenth Century. Between 1290 and 1453, Northwestern Europe saw an almost uninterrupted series of wars involving England, France, and Flanders. Northern Italy, the

¹⁰The numbers are from (Bairoch 1988) and from (Persson 1988).

¹¹(Nef 1987)

¹²See, for example, (Epstein 2001), (Grantham 1999) and (Munro 1998).

center of Mediterranean trade, was no less torn by strife. And there were yet other wars—including a civil war in Germany and a war between Aragon and Castile in Spain.¹³

Overall, war-related predation disrupted and inhibited production and commerce. War raised the cost of transportation by sea and by land, fragmenting the market and so undoing some of the gains of the earlier market expansion. Fragmentation of the market hurt particularly hard those regions that had become most specialized and so most dependent on trade.

Natural disasters compounded the havoc of war. Unusually bad weather brought a series of poor harvests to much of northern Europe between 1314 and 1322, resulting in widespread famine, particularly in the cities. The Black Death struck in 1347 and recurred intermittently for decades, decimating the population. Because contagion was greater in the cities, the effect on urban populations was particularly severe. By 1400, the overall population of western and central Europe had fallen from the earlier high of about 75 million to as low as 55 million.¹⁴

This dramatic fall in population made labor more valuable and land less so. The result was a redistribution of income away from the land-owning nobility and clergy and towards peasants and urban artisans. This redistribution reduced the demand for luxuries for the rich and increased the demand for simple consumption goods for the masses. As we will see in the coming chapters, this shift in demand provided a major stimulus to commerce and production.¹⁵ The increased cost of labor also created an incentive for reorganization and technological change to economize on its use.

The wars of the Long Fourteenth Century brought about a consolidation of predatory government. The many, largely independent duchies, counties, and earldoms were united into a few larger, more powerful, and more centralized kingdoms and empires. At the

¹³These wars, and others of the period, are enumerated in (Lopez 1987), (Harvey 1991), (Genicott 1966), and (Munro 1991). “If individually the various wars from the 1290s often seem unimportant, collectively and cumulatively, as they spread across Europe and the entire Mediterranean basin, they had a far more destructive impact upon Europe’s international trade than did the warfare of the preceding two centuries.” ((Munro 1997) p 74).

¹⁴(Bairoch 1988)

¹⁵(Epstein 2001)

same time, the fiscal pressures of war brought about changes in the nature of predatory government. The most important of these was the appearance, all over Europe, of representative assemblies. We will see that these gave subjects a voice in determining the level and form of exaction and provided the basis for a new balance of power between rulers and subjects. There was consolidation too among associational governments: the three hundred self-governing city states of northern and central Italy were combined into five much larger city-centered territorial states.¹⁶

THE EXPANSION OF THE LONG SIXTEENTH CENTURY (c1450-c1580)

By the middle of the fifteenth century, the various wars had largely burned themselves out. Most notably, the ending of the Hundred Year's War in 1453 brought peace to northwestern Europe, and the Treaty of Lodi of 1454 did the same for Italy. The ending of hostilities meant a drop in war-related predation: taxes became less onerous, piracy less widespread, tolls less burdensome; and debasements largely came to an end. The hostility of nature abated too: there was a lull in epidemics and the climate moderated. The result was rapid economic recovery and a renewed expansion that continued into the late sixteenth century.

As war receded and the economy recovered, the population of Europe began to rebound. By 1500, it had regained its earlier peak of around 75 million; it continued to grow in the sixteenth century, approaching 100 million by 1600.¹⁷ The overall rate of urbanization resumed its climb too, peaking at about 16% in the early sixteenth century.¹⁸ Urbanization reached 45% in the Low Countries and increased rapidly to 15-20% in England.¹⁹

As it had during the expansion of the Commercial Revolution, economic progress once again brought with it significant cultural achievement. This was, of course, the age of the Renaissance. The emergence of the printing press from 1453 transformed books

¹⁶(Epstein 1999)

¹⁷(Bairoch 1988)

¹⁸(Hohenberg and Lees 1995)p 9: quotes Bairoch and Tilly

¹⁹(Persson 1988)

from a luxury for the wealthy into a relatively mass-market product. This had an enormous impact on literacy and on cultural development.

The expansion of the long sixteenth century was not, however, entirely free of wars. France invaded northern Italy and became embroiled internally in sporadic civil war between Protestants and Catholics. Hapsburg Spain fought the French over control of Italy and the Ottomans over control of the Mediterranean.

However, the wars of the sixteenth century were less devastating in their economic impact—at least initially—than had been those of the fourteenth century. By this time, governments were finding it far easier to borrow. During the economic expansion, new financial markets had emerged to serve commerce and production. Their existence made it possible for governments to finance their wars largely on credit, thereby avoiding some of the most damaging forms of exaction. On the other hand, easier financing also allowed governments to wage war on a far larger scale.

THE CRISIS OF THE LONG SEVENTEENTH CENTURY (FROM c1580)

There began, towards the end of the sixteenth century, a series of major wars that caused the European economy in general to slow.²⁰ The conflict between Spain and France escalated in scale and in intensity. The Low Countries rose up against their Spanish rulers, with England soon involved on the side of the rebels. The Thirty Years War embroiled much of central Europe. Civil war broke out in England. Ottoman incursions intensified, culminating in the siege of Vienna in 1683.²¹

The wars of the Long Seventeenth Century transformed the nature of government yet again. In particular, they gave rise to two new political regimes—the predatory state and the associational state.

Predatory governments, most notably those of France and of Hapsburg Spain, proved themselves to be untrustworthy borrowers. And, having destroyed their credit through default, they had to find other ways of raising the cash they needed—including, as we

²⁰(Steensgaard 1997)

²¹Nature again contributed to the misery: there was a new outbreak of epidemics and a renewed cooling of the climate. ((de Vries 1976) Ch. 1)

will see, tax farming and the sale of offices.²² These practices created a new predatory class—the predatory bureaucracy. The *predatory state* was a large, loosely integrated group of territories controlled by such a predatory bureaucracy.

Predatory states, in various ways, weakened the associational governments of their cities. At the same time, the associational governments of the city-centered territorial states of northern Italy were mostly descending into tyranny: as already noted, associational government did not scale up well. In all, associational government seemed to be in danger of disappearing altogether. However, before this could happen, associational government emerged in a new and stronger form in the Dutch Republic.

The Dutch Republic was created as an association of associational governments. The representative assembly provided the member associational governments with a forum for joint action—especially in matters of joint defense. This new structure—the *associational state*—was able, unlike earlier forms of associational government, to govern a larger territory without degenerating into tyranny. And it retained the fiscal advantages of associational government—less harmful exaction and superior credit.

The two new forms of government provided very different economic environments. That of the associational state was highly conducive to economic progress; that of the predatory state was not. The economic impact of the crisis of the seventeenth century was therefore quite uneven.²³ The Hapsburg territories, under a predatory state, suffered most severely. Spain, Italy, central Europe, and the southern Low Countries—all experienced economic decline, in some cases severe. France, another predatory state, stagnated too. But England, Sweden and, especially, the new Dutch Republic—the sole associational state—continued to prosper.²⁴

The total population of Europe changed little during the seventeenth century. It declined significantly in the regions most affected by war, but it continued to grow in

²²In tax farming, a private individual or group purchases from the state the right to collect a particular tax. With the sale of offices, the state sells official positions in its administration. Both practices provide the state with immediate cash. We will see in Chapter 11 why these practices were adopted.

²³(Cipolla 1994) Ch. 10; (de Vries 1976) Ch. 1

²⁴(Nef 1964) Ch. 7

England and in the Dutch Republic, boosted by refugees from the war zones.²⁵ Similarly, there was little change in the overall rate of urbanization, but it increased significantly in the regions of prosperity and decreased in the regions of stagnation and decline.

CONCLUSION

Subsequent centuries saw a series of wars, which tested the strength of these two new forms of government against one another. The predatory states were larger; the associational states economically more prosperous and dynamic. Ultimately, the economic advantages of the associational state proved decisive.

It was the associational state that ‘got government right’, and it was the eventual ascendancy of the associational state that made it possible for economic progress to continue in the West more or less uninterrupted. The leaders of economic progress were a succession of associational states—first the United Provinces (the Dutch Republic), then the United Kingdom, and then the United States.

²⁵(de Vries 1976) Ch. 1

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