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**ECO. 301Y1**

**The Economic History of Later Medieval and Early Modern Europe  
(European Economic History, 1250 - 1750)**

**LECTURE TOPIC NO. 1**

**I. INTRODUCTION:**

**The Medieval European Economy during the ‘Commercial Revolution’  
Era, ca. 1000 - ca. 1320: Economic Growth and Barriers to Growth**

**Note: This year (September 2013) this lecture was not delivered orally, in class, and has not been revised since it was last given. It has been retained online only for the interest of some students; but no one is required to read it.**

**Just the same, you may find it both informative and interesting, in giving a background for the course that I did not provide in my first oral lecture.**

**ECONOMICS 301Y1: COURSE INTRODUCTION: September 2013**

**The Economic History of Later Medieval and Early Modern Europe, 1250 - 1750**

**I. INTRODUCTION:**

**The Medieval European Economy during the ‘Commercial Revolution’ Era, ca. 1000 - ca. 1320: Economic Growth and Barriers to Growth**

**1. Medieval Europe and the Rest of the World: the Lopez view**

a) **When I was a graduate student** (1960-64, at Yale), my thesis advisor Prof. Roberto Lopez published a short article entitled: **‘The European Middle Ages: A Success Story’**.

i) **The 10<sup>th</sup> century, he contended, marked the ‘Birth of Europe,’** or more precisely the true beginnings of the European economy and society that would develop through the rest of the medieval and early-modern eras.<sup>1</sup>

ii) **Much of the area that Europe came to occupy, except in the North,** had of course, once belonged to the ancient Roman Empire;

(1) but for many centuries -- from the 4th to the 10th centuries -- this region had suffered a worsening economic retrogression and stagnation,

(2) which effectively divorced it from the economy, society, and culture of the ancient Roman world, and indeed from the successor empire in the East, known as the Byzantine Empire.

**b) The Medieval ‘Birth of Europe’:**

**1) From the later 10th century, according to the Lopez model,**

(1) after so many centuries of economic retrogression, population decline, anarchy and chaos --

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<sup>1</sup> For a subsequent elaboration of this thesis, see Robert S. Lopez, *The Birth of Europe* (London, 1966). But for a somewhat different view, placing the ‘birth of Europe’ earlier, in the Carolingian Era of the eight-ninth centuries, see Michael McCormick. *Origins of the European Economy. Communications and Commerce, A.D. 300-900* (Cambridge and New York: Cambridge University Press, 2001). See my review in *The International Journal of Maritime History*, 15:2 (December 2003), 377-80.

both before and after an era of stability with the creation of the Carolingian Empire (Charlemagne: in the 790s)

(2) there emerged out of the ruins of Roman civilization, and then of the barbarian German kingdoms, and the succeeding Carolingian Empire, a distinctly new society that we call Europe:

(3) thus the 'Birth of Europe' in the 10th century (or better: by about the year 1000).

ii) **In Prof. Lopez's view, this newly born European economy literally pulled itself up by its own boot straps, from the later 10th century**, ultimately to become the most economically developed region in the world.

iii) **In making his key point, he argued:**

(1) that no external or outside assistance was responsible for this 'Birth of Europe';

(2) that Europe received no external investments, no external technology,

(3) nor did it follow any external models in developing itself.

c) **In retrospect, this popular article strikes me as being rather too Eurocentric**, in many aspects, and rather misleading, even if its ideas have many merits:

I) **When western Europe began this process of self-sustained economic development**, from the later 10th and 11th centuries, it was then sharing the Mediterranean basin with two far more advanced societies:

(1) **the Greco-Byzantine Empire**, the successor of the old Roman Empire in the East: centred in what is now Asia Minor, or the country of Turkey:<sup>2</sup>

(2) and the even more advanced and prosperous Islamic or Muslim world in western Asia (or what we call the Middle East or the Levant),

(3) and all of North Africa, and most of Spain [see map].

ii) **I thus believe that Lopez's article unfairly neglects the extent to which western Europe**, in

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<sup>2</sup> The surviving core of the Ottoman Turkish Empire, with its capital at Constantinople, captured from the dying Byzantine Empire 1453. Later, after 1918, it was renamed Istanbul, its current name.

its subsequent economic development,

(1) owed some of its growing prosperity to commercial contacts with these other Mediterranean Empire, and

(2) especially neglects how much Europe borrowed, especially in the way of financial and commercial techniques, from the Islamic world.

**iii) To be sure, Lopez may have been partially correct, in stating that these two Asian and North African based empires, Byzantine and Islamic had had Roman foundations,**

(1) i.e., they had not developed as culturally and economically independent entities, but rather as the direct successors to the older Roman and Persian empires;

(2) yet, of course, over the next millennium, both developed economies and societies that were vastly different from those of their ancient Roman predecessors.

**iv) But he did not consider two other even more advanced and economically powerful regions of this era, owing nothing to the Greco-Roman world:**

(1) those in southern Asia, specifically the Indian subcontinent;

(2) and those in eastern Asia, most especially China and then Japan.

**iv) The economic history of these Asian (and African) empires also had a significant impact on the development of the European economy, especially from the 13th century, as we shall see later in the course.<sup>3</sup>**

**d) Early medieval Europe as a ‘backward’ underdeveloped region:**

**I) So, finally, if we are still tempted to be too Eurocentric, it would pay to understand the deeper message implicit in Lopez’s article:** the indisputable fact that in the 10th and 11th centuries western Europe was indeed -- in both absolute and relative terms -- a very backward undeveloped economic region, in almost all respects:

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<sup>3</sup> In May 2006 (1 - 5) , the Datini Institute [Istituto Internazionale di Storia Economica “Francesco Datini” da Prato] presented a week-long conference on “Europe’s Economic Relations with the Islamic World, 13<sup>th</sup> - 18<sup>th</sup> Centuries”, a conference whose theme I suggested (as a member of its Giunta, or Executive Board) and whose programme I helped to organise. I also presented a paper to this session. See n. 5 below.

ii) **not only in relation to the ancient Roman Empire that had once occupied much of Europe,** along with North Africa and western Asia, but even more so in relation to these four more advanced regions that I have just mentioned in both Asia and Africa.

2. **The Era of the Medieval ‘Commercial Revolution’: ca. 1000 - ca. 1320 CE**

**[i.e., the Common Era – not the Christian Eurocentric A.D.: which means Anno Domini]**

a) **Western Europe then did experience,** and especially from the later 11<sup>th</sup> and early 12<sup>th</sup> century, a most remarkable era of economic expansion and demographic growth known as the ‘Commercial Revolution’:

**I) During the 12th, 13th, and very early 14th centuries,**

(1) hundreds of new towns and thousands of new agricultural settlements blossomed first in western Europe and then in:

(2) in eastern Europe as well, especially as Germanic peoples from the West moved East to subdue the Slavic lands;

ii) **In that European economic expansion,** with indeed a truly phenomenal rise in population, the towns were the major engines of growth,

(1) with organized market economies based upon and fuelled by commerce,

(2) especially by and through long-distance trade, chiefly focused on the Mediterranean basin.

iii) **During this Commercial Revolution era of from the late 11th to early 14th centuries,** the Mediterranean basin

(1) then enjoyed by far the most numerous and heavily populated cities and indeed

(2) the greatest population density in Europe, offering the best economies and lowest transaction costs in long-distance trade.

iv) **There are two reasons therefore to justify the term ‘Commercial Revolution’:**

(1) As Lopez and many others have argued (myself included), long-distance international trade clearly proved to be the most vital force in stimulating this economic expansion, which in turn:

- fuelled population growth, new and expanded settlements,
- and especially, in the West, urbanization;<sup>4</sup>

(2) The major technical innovations in the European economy then involved commercial and financial institutions (some, if not all, borrowed from the Islamic world), so that we may justifiably call this the era of the medieval ‘Commercial Revolution’.

**b) From about the early to mid-13th century Mediterranean commerce underwent a great transformation:**

**i) In Lopez’s view, the key spur was the aggressive expansion of Italian maritime commerce:**

(1) led by the two leading seaports of Genoa (NW Italy) and Venice (in NE Italy – but legally or technically part of the Byzantine Empire)

(2) and it was fuelled by the commerce, industry, banking and finance of Florence (in Tuscany) and Milan (in Lombardy)

**ii) Italian dominance in and over Mediterranean commerce:**

(1) Thus these Italian maritime republics – commercial city-states - successfully engineered the transfer of economic dominance in the Mediterranean basin

- from the Byzantine and Muslim realms — indeed, from their commerce with these realms
- to western Europe, while retaining their own leadership in Mediterranean commerce, shipping, and finance.

(2) What were the key factors in that seeming victory:

- superior naval technology: in ship rigging, compasses, etc.
- superior military power: especially with the addition of guns and artillery in the 14<sup>th</sup> century
- superior commercial organization: and a virtual monopoly in European trade networks

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<sup>4</sup> For my most recent views, see John Munro, ‘The “New Institutional Economics” and the Changing Fortunes of Fairs in Medieval and Early Modern Europe: the Textile Trades, Warfare, and Transaction Costs’, *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, 88:1 (2001), 1 - 47. See also John Munro, ‘Industrial Energy from Water-Mills in the European Economy, 5<sup>th</sup> to 18<sup>th</sup> Centuries: the Limitations of Power’, in Simonetta Cavaciocchi, ed., *Economia ed energia, secoli XIII - XVIII*, Atti delle ‘Settimane di Studi’ e altre Convegni, Istituto Internazionale di Storia Economica, ‘Francesco Datini da Prato’, vol. 34 (Florence, Le Monnier: 2003), pp. 223-69.

- but also the fact that Christian hostility to Muslims largely prevented Arab ships from entering European ports, while Muslim ports generally welcomed Europeans.
- this question will be discussed at greater length in the section on Italian commerce

**iii) Challenges to Italian dominance in Mediterranean trade:**

(2) The Italians subsequently encountered, however, serious rivals in the ports of southern France (Marseille) and Spain (Barcelona in Catalonia).

(2) But by the 15<sup>th</sup> century, Venice had established its supremacy over all of them.

(3) This issue will also be discussed at greater length in the section on Italian commerce.

**iv) the importance of international maritime commerce throughout the Middle Ages**

(1) with the Byzantine and Islamic worlds, and through them

(2) with India and China as well, via principally the famed Asian overland Silk Road.

**v) But just the same Lopez exaggerated the role of maritime commerce :**

(1) To the relative neglect of overland trade: for almost all Italian trade with the rest of Europe was conducted by land routes.

(2) In the later 12<sup>th</sup>, 13<sup>th</sup>, and early 14<sup>th</sup> centuries: the hub for Italian trade with north-west Europe was the Champagne Fairs in the NE France.

(3) From the early 14<sup>th</sup> century, a spreading stain of warfare across western Europe seriously disrupted the overland trade routes and thus the commerce of the Champagne Fairs

(4) Only from that time, and only with and because of such warfare, did the Italians – the Venetians, Genoese, and Florentines, establish a direct sea-link to north west Europe: with galley fleets sent to Southampton (England) and Bruges (Flanders).

**c) European Commercial and Industrial Supremacy:**

**I) By about the 1260s, when this course begins,** western Europe (and certainly western Europe much more so than eastern Europe):

(1) had indeed enjoyed sufficient economic development and military power to rival both the Greco-Byzantine and Islamic worlds in the Mediterranean basin and would clearly outdistance them

in the succeeding two centuries,

(2) despite undergoing some catastrophic crises, with severe population losses during those late-medieval centuries.

(3) The European resumption of gold coinages in 1252 marked a key turning point: the gold coins of Florence and Genoa, followed by Venice in 1284-85.

(4) and the establishment earlier in the 13<sup>th</sup> century of the Champagne Fairs for international trade, as noted above.

ii) **Western Europe was also gaining an industrial supremacy over the Byzantine and Islamic worlds**, especially in the production of a very wide variety of textiles, including finally even silks, which were all the major manufactured items entering into Mediterranean commerce.

iii) **Nevertheless, there still remained a strong trade imbalance with the Levant, in the Islamic eastern Mediterranean:** the region now encompassing Syria, Lebanon, Israel/Palestine, and Egypt

(1) in that the aggregate value of goods that western Europe sold to the Byzantine and Islamic worlds was almost always less than the value of the commodities that they purchased from them and imported into Europe:

(2) i.e., in terms of the value of the purchases of Asian (Oriental) spices, silks, cottons, jewellery and metalwares, etc.

d) **Western Europe's chronic trade deficits with the East: the Levant**

I) **The reasons for this situation, the trade deficit with the Levant**, which was principally due to the Levant's own trade deficits with the rest of Asia, we shall explore later in the course.

ii) **For now, the basic reason for this imbalance, for the trade deficits and silver outflows are:**

(1) That Western Europe produced very few goods that could compete in both quality and costs with those produced in Asia.

(2) Europe had some, but few goods not produced in Asia

(3) But the basic problem lay in enormously high transportation and transaction costs in conducting trade over such long distances with Asia: costs that made most European goods prohibitively



expensive in Asia.

(4) finally the question of silver: it was generally shipped instead of gold because of the favourable bimetallic ratio which made silver relatively more valuable in terms of both gold and goods in Asia than in the West: i.e., silver enjoyed a higher purchasing power per ounce in Asia

iii) **These chronic trade deficits incurred by western Europe did not mean**, however, any economic inferiority.

iv) **Thus we can look upon bullion shipments to the East:** as just another commodity export.<sup>5</sup>

v) **Furthermore, despite the late-medieval demographic and economic catastrophes that struck both the Mediterranean and European worlds**, in the 14th and 15th centuries, western Europe continued to make economic and also military gains over the East;

vi) **In the ensuing early-modern period western Europe would also surpass the other two leading regions of Asia**, namely India and China, certainly in economic power;

vii) **Certainly Europe would then express both its economic and military power in aggressive overseas expansion**, which some or many would call ‘imperialism.’

### 3. **The Later-Medieval Transition: the shift of economic power to North-West Europe**

a) **Those developments, at the same time**, also ultimately shifted the economic and demographic centres of gravity from the Mediterranean basin, where it had resided for over two millennia, to north-west Europe, especially to the Atlantic sea-ports;

b) **Ultimately, by the 18th century, when this course ends**,

**I) those and other economic forces that increasingly enhanced the relative power and wealth of northwest Europe would produce in just one of these northern regions**, namely Great Britain

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<sup>5</sup> This was the argument presented in my 2006 conference paper for the Datini Institute: ‘South German Silver, European Textiles, and Venetian Trade with the Levant and Ottoman Empire, c. 1370 to c. 1720: A non-mercantilist approach to the balance of payments problem’: Paper presented to the XXXVIII (38<sup>th</sup>) Settimana di Studi, Istituto Internazionale di Storia Economica, “Francesco Datini”: Relazioni economiche tra Europa e mondo islamico Secoli XIII-XVIII/Economic Relations of Europe with the Islamic World, 13<sup>th</sup> to 18<sup>th</sup> Centuries: on 5 May 2006. This has been posted as a Department of Economics Working Paper: at [http://repec.economics.utoronto.ca/repec\\_show\\_paper.php?handle=tecipa-224](http://repec.economics.utoronto.ca/repec_show_paper.php?handle=tecipa-224)

(England, Wales, and Scotland) a veritable industrial revolution,

ii) **that modern industrial revolution:** would transform not only Europe but the whole wider world as well.

c) **The origins of our modern industrial economy are to be found in these centuries from about 1250 to 1750:** so fundamental in understanding the origins of modern industrial society, not only for Europe and its offshoots in the two American continents, but also for much of the world today.

#### 4. Macro-Economic and Sectoral Changes in the European Economy, 1000 - 1500 C.E.

##### a) **The Macro-economic variable: population, money, and prices:**

I) **before proceeding with an historical and economic analysis of these changes,** in the structure and forms of the European economy (or economies), we first have to examine what may be called the changes in two major macro-economic variables from about 1000 – with the ‘birth of Europe’ to about 1500, the dawn of the modern era:

(1) demography (population change)

(2) money – coinage and other monetary institutions – and monetary changes

ii) **After examining these two variables,** we will then examine the consequences of their changes as reflected in prices: in terms of both:

(1) changes in the price level, in the Consumer Price Index, in terms of both inflation and deflation

(2) changes in relative prices: changes in the prices of agricultural commodities as compared with changes in prices of industrial products: e.g., changes in wheat prices as compared to changes in textile prices

(3) While the former involves chiefly changes in monetary factors, and the latter, changes in so-called ‘real’ factors, both monetary and real forces can have impacts on both sets of price changes.

(4) The significance of price changes – including especially changes in the prices for the chief factors of production and thus in the chief costs of inputs – land, labour, and capital – will be seen as market signals that helped induce technological and entrepreneurial changes in all sectors of the

economy.

**iii) Importance of Macro-Economic Variables and Price Changes in the History of European Economic Development (to the eve of the Industrial Revolution):**

(1) The only way that you can properly understand the structural changes in the European economy, in all sectors of the economy, and in all its related socio-economic institutions is to understand the impact of demographic, monetary, and the price changes – changes in both the price level and in relative prices – in each of them, individually and then together

(2) The major economic sectors: agriculture, commerce, finance, industry

(3) The major socio-economic institutions, for the first term of the course: Feudalism, Manorialism, Serfdom, and the Church

(4) But we shall also be concerned with the economic role of political institutions: in terms of town governments, city states, feudal principalities (kingdoms, duchies, counties), and then, at the dawn of the modern era, the emergence of unified, non-feudal national states.

**b) The Major Sectors of the Medieval and Early-Modern European Economies:**

I) **In each half of the course**, we will then proceed — after our analyses of these macro-economic changes in terms of population, money, and prices – to examine the changes in each of the four major sectors of the economy: to repeat, with more detail

(1) agriculture (always the overwhelmingly dominant sector)

(2) commerce: in terms of local, regional, and long-distance trade (both overland and maritime)

(3) banking and finance, almost always tied to the commercial sector

(4) industry: chiefly mining (or extractive) and manufacturing industries, with a primary focus of what would become the two, twin spearheads of modern industrialization: metallurgy and textiles.

ii) **Our goal will be, in particular**, to see how changes in each of these sectors interacted with changes in other sectors either to promote or retard economic growth in late-medieval and early modern Europe.

**c) The Barriers to Economic Growth in Northern Europe:**

**I) Nevertheless, before beginning with our analyses of such changes in the four major sectors, we must first examine the very serious barriers to the proper functioning of the market economy,** and thus barriers to economic growth that were to be found throughout medieval Europe;

ii) **These major barriers are best considered under the general heading of Feudalism -- or, if you wish, the tripartite model of Feudalism, Manorialism, and peasant Serfdom --** which impeded if not prevented the development of a fully free market economy in terms of the markets for land, labour, and capital (or the most rational investment of savings as capital in the economy).

iii) **Nevertheless an examination of these feudal barriers is directly relevant to and of utmost importance in examining the changes in our first and – as indicated – overwhelmingly dominant economic sector: agriculture**

iv) **The reason and the connection:** the fact that these medieval feudal institutions – Feudalism, itself, Manorialism, and Serfdom – were fundamentally agrarian in origin:

(1) they were the institutions that governed much of the agrarian economy, at least, in northern Europe.

(2) at the same time, we have to understand why the impact and influence of these feudal institutions were either weak or non-existent in southern, Mediterranean Europe.

(3) and that will better enable us to understand the key differences in the northern and southern European agricultural zones.

v) **The other and complementary reason for studying these feudal barriers, but in close conjunction with our study of later-medieval macro economic changes (population, money, prices) is to help demonstrate the truth that economic growth was not linear:**

(1) for the Medieval Commercial Revolution era of economic and demographic expansion came to an abrupt halt in the early 14th century,

(2) when it was followed by very severe demographic and economic contraction if not retrogression, which many of us call the ‘Great Depression of the later Middle Ages’.

vi) **Indeed, these feudal barriers or impediments help to explain why the European economic**

**expansion of the Commercial Revolution era was not self-sustaining and continuous**, and at least in part why at least western Europe did experience such severe economic setbacks and contraction during the later 14th and 15th centuries.

vii) **From the later 15th century**, the European population and the European economy did recover to engage in yet another two-century period of expansion, much of it encompassed in the so-called era of the European Price Revolution, from the 1460s to the 1620s;

viii) **But again the processes of growth were not linear and continuous into the modern era:**

(1) for this Price Revolution era was succeeded by another century-long phase of economic and demographic stagnation or contraction, known to many as the ‘General Crisis’ era, c.1640-1740

(2) an era that preceded, led up to, and in part explains the character of the succeeding Industrial Revolution era of the later 18th century.

ix) **This course ends, as you will note**, with the eve of this Industrial Revolution era (which is dealt with in my other course, Eco. 303Y: *The Economic History of Modern Europe to 1914*).

## MAJOR PHASES OF EUROPEAN ECONOMIC DEVELOPMENT

### Pre-European Europe: CE = the Common Era (instead of AD)

- A. **4<sup>th</sup> & 5<sup>th</sup> centuries: Decline of the Roman Empire in the West (technically ends in 476 CE) and its replacement by the Greek-oriented Byzantine Empire in the East (with its capital at Constantinople, named after the Emperor Constantine, r. 312-337 CE)**
- B. **511 - 752 CE: the Merovingian era in the West: barbarian Germanic or Frankish kingdoms, during chaotic periods of demographic and economic decline**
- C. **752 - 987: the Carolingian era: the Empire of Charlemagne or Charles the Great (771-814, becoming Emperor in 800: embracing most of western Europe (with Italy)**
  - **some economic and demographic recovery ending with death of Charlemagne**
  - **followed by chaotic invasions of the Norsemen (Danes and Norwegians), the Magyars (Hungarians), and the Arabs (Muslims, from the Mediterranean basin)**

### The European Era

- D. **THE 10<sup>TH</sup> CENTURY: THE 'BIRTH OF EUROPE', as the invasions are repulsed, trade routes are restored, lands resettled, and population grows**
- E. **Ca. 1000 - Ca. 1320: THE ERA OF THE 'COMMERCIAL REVOLUTION'**
  - **demographic and agrarian growth; birth/creation of hundreds of towns**
  - **Italian dominance of the Mediterranean basin**
  - **shift of economic power from the Byzantine Empire and Islamic lands to the Christian-European west (with continued Italian dominance)**
  - **Overland trade networks from NW Europe to Italy via the Champagne Fairs and Rhone river system**
  - **resumption of gold coinage in the West**

- E. Ca. 1320 - Ca. 1460: THE SO-CALLED 'GREAT DEPRESSION' OF LATER-MEDIEVAL WESTERN EUROPE**
- famines, plagues, warfare: demographic decline and economic contractions
  - beginning of shift of economic power from the Mediterranean basin to north-west Europe: the Low Countries, the Hanse German towns, and England
  - continued Italian dominance: with direct maritime routes from Mediterranean to north-west Europe, after decline and fall of Champagne fairs
- F. Ca. 1460 - Ca. 1520: RECOVERY AND EXPANSION OVERSEAS**
- the Central European silver-copper mining boom and the establishment of new intercontinental trade routes from Italy to the Low Countries
  - Portugal, followed by Spain, inaugurate era of European overseas exploration, conquest, and colonizations: with superior naval technology
  - economic and then demographic recovery
- G. Ca. 1520 - Ca. 1640: THE ERA OF THE PRICE REVOLUTION**
- an era of unprecedented sustained, long-term inflation (rising price level)
  - era of population growth and renewed settlements, more than recovering the late-medieval losses
  - era of dramatic urban and economic growth
- H. Ca. 1640 - Ca. 1750: THE ERA OF THE 17<sup>TH</sup> CENTURY 'GENERAL CRISIS'**
- demographic decline and stagnation
  - monetary contractions and scarcities: with deflation or stable prices
  - The Age of Mercantilism: state intervention in the economy, widespread warfare, and especially international warfare in a struggle for overseas colonies in Asia, Africa, and the America

- **an era of significant innovations in financial institutions, agriculture, and industry**
  - **decisive shift of European economic power to the Netherlands and then to England**
- I. **Ca. 1750 - Ca. 1830: THE ERA OF THE MODERN INDUSTRIAL REVOLUTION, and the beginnings of British economic hegemony in the world economy [which lie beyond this course]**