

# The Birth of the World Economy System

***Rácz, Lajos***

*University of Szeged*

[raczl@jgypk.szte.hu](mailto:raczl@jgypk.szte.hu)

*Methodological expert: Gyáfrás, Edit*

This teaching material has been made at the University of Szeged, and  
supported by the European Union.

Project identity number: EFOP-3.4.3.-16-2016-00014

## Content

Professional competencies to be mastered with the learning material .....	4
THE HISTORICAL TIME AND GEOGRAPHICAL SPACE .....	6
The world economy and economy-world .....	6
The time of the history .....	11
Questions.....	15
Bibliography.....	16
THE MEDIEVAL EUROPEAN ECONOMY WORLD .....	17
North .....	18
South: The city-states of Italy .....	24
The fairs of Champagne and Brie .....	26
Questions.....	29
Bibliography.....	30
THE LATE RISE OF VENICE .....	31
Questions.....	35
Bibliography.....	36
HEYDAY OF ANTWERP .....	37
The promoter of Antwerp rise: Portugal.....	37
Portuguese era of Antwerp .....	39
Spanish era of Antwerp .....	41
Decline of Antwerp.....	42
Questions.....	44
Bibliography.....	45
CENTURY OF GENOA .....	46
Questions.....	48
Bibliography.....	49
THE LAST DIRECTING CITY: AMSTERDAM.....	50
The inner energies of the growth.....	50
The development of the Dutch merchant empire .....	59
The Dutch commercial capitalism in Europe .....	67
Questions.....	70



Bibliography.....	71
THE NATIONAL MARKETS .....	74
The organizing of the space.....	74
France: the victim of the gigantism.....	80
The birth of the British Empire .....	83
Questions.....	94
Bibliography.....	95



# Professional competencies to be mastered with the learning material

## Regarding knowledge

The student has a firm grasp on the essential concepts, facts and theories of economics and history. The student is familiar with the relationships of national and international, ancient and modern economies, relevant economic actors, functions and processes. The student is familiar with the basic concepts and characteristics of micro- and macroeconomics. The student also knows the essential methods of collecting information and the modes of statistical and mathematical analysis. The student is familiar with the basic principles of other professional fields connected to his/her field (engineering, law, environmental protection, quality control, etc.). The student has mastered the professional and effective usage of written and oral communication, along with the presentation of data using charts and graphs. The student has a good command of the basic linguistic terms used in economics both in his/her mother tongue and at least one foreign language.

## Regarding skills

The student can uncover facts and primary connections, can arrange and analyse data systematically, can conclude and make critical observations along with preparatory suggestions using the theories and methods learned. The student can make informed decisions in connection with routine and partially unfamiliar issues both in domestic and international settings. The student follows and understands business processes on the level of global and world economy along with the changes in the relevant economic policies and laws and their effect. The student considers the above when conducting analyses, making suggestions and proposing decisions. The student is capable of calculating the complex consequences of economic processes and organisational events. The student can cooperate with others representing different professional fields. The student can present conceptually and theoretically professional suggestions and opinions well both in written and oral form in Hungarian or a foreign language according to the rules of professional communication. The student is an intermediate user of professional vocabulary in a foreign language.

## Regarding attitude

The student behaves in a proactive, problem-oriented way to facilitate quality work. The student is open to new information, new professional knowledge and new methodologies. The student strives to expand his/her knowledge and to develop his/her work relationships in cooperation with his/her colleagues. The student is accepting of the opinions of others and the values of the given sector, the region, the nation and Europe (including social, ecological and sustainability aspects). The student keeps the principles of lifelong learning inside and outside the world of labour.

## Regarding autonomy and responsibility

The student takes responsibility for his/her analyses, conclusions and decisions. The student takes responsibility for his/her work and behaviour from all professional, legal and ethical aspects in connection with keeping the accepted norms and rules. The student holds lectures and moderates debates independently. The student takes part in the work of professional forums (both within the economic institution and outside of it) independently and respectfully.

# THE HISTORICAL TIME AND GEOGRAPHICAL SPACE

## THE WORLD ECONOMY AND ECONOMY-WORLD

After Fernand Braudel, we use the hierarchical concepts of the world economy and economy-world for the description of the late Middle Ages and the Early Modern Times. We may define these two fundamental concepts in the following manner:

- world economy (économie mondiale): the totality of the economic units of the world;
- economy world (économie-monde): a part of the world which can be delimited well, which is autonomous economically, can supply itself, and responds to the effects of the external world as an organic unit.

The economy worlds' existence is almost of the same age with the existence of the civilisations and the states. Antique Phoenicia tried to create an economy-world surrounded by great realms. The Greek polises, Carthage, Rome or Islam tried to do the same. The Chinese economy-world's development had the earliest antecedents. It is connected to large adjacent regions, (Korea, Japan, the Indonesian archipelago, Vietnam, Tibet and Mongolia). The Indian economy-world rivalled with the Chinese universe from the east coasts of Africa stretched until the Indonesian archipelago. A number of economy-worlds existed in the historical past. Since its birth, development and transformations, enough knowledge was assembled to complete a typology. The economy-worlds of history fulfilled the following standard criteria:

1. delimited area,
2. being directed by one central city; if more city directs it, it is the sign of unsettledness of the system or the consequence of a transformation,
3. economically hierarchical area, which can be divided into poor, advanced and wealthy areas. The tension resulting from this inequality ensures the functioning of the system.



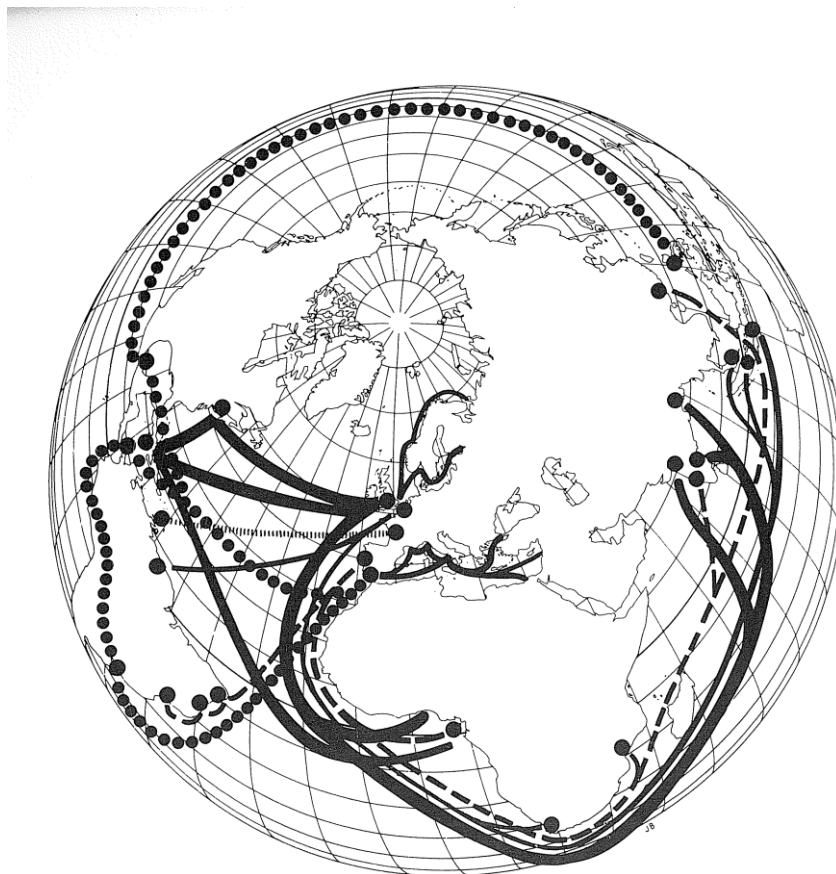


Figure 1. The expansion of the European economy-world during the Early Modern Times. (F. Braudel: *The Perspective of the World*, London 1984, 29 p.).

Six economy-worlds existed on the Earth at the time of the late Middle Ages and the Early Modern Times according to the definition of Fernand Braudel, that met all three criteria of the definition: China, India, the Islamic world, Europe, Amerindian civilisations and Russia.

### The economy world's borders

An economy world's border ends where another similar system begins, where the loss following from the exchange exceeds the profit. The economy worlds' border is especially difficult to pass, if natural obstacles make the communication harder. In the late Middle Ages and Early Modern Times, the Sahara desert served as a natural-economic border between white and black Africa.

It was the big success of the European civilisation to be able to spread its economy world's borders eastward at the turn of the 11<sup>th</sup> and 12<sup>th</sup> centuries, and Westward at the time of the 15<sup>th</sup> century with the great geographical discoveries. The expansion of the European economy world is based on the cruises, but in the Islamic economy world, the network of caravan routes connecting the oases brought prosperity.

## The economy world's directing centres

Economy worlds always have an urban pole, a central city, which leads the procession of the cases, collects the information, the dealers, the capital, the credit and the people. The importance of the cities being connected with the centre is primarily determined by their relation to the centre. But the central cities' power is provisional, they follow each other. Venice was followed by Antwerp, Genoa, Amsterdam and then London. A balanced situation which raised up a leading city was never determined by economic factors only.

In 1421, the emperor of the Ming dynasty decided to replace the capital of the Empire from Nanking to Peking because of the danger of the Manchurian and Mongolian attacks. Nanking was located in the Southern coastal region; maritime expeditions were started from here in the first half of the 15<sup>th</sup> century. The new capital, Peking, was located inside the mainland, meaning that the Ming emperor closed his empire with his conscious or unconscious decision. Philip II transferred his government's seat into Madrid from Lisbon in 1582 and had to face same similar consequences of his decision. Following the conquest of Portugal (1580), the Spanish government stayed in the Portuguese capital for almost three years. Lisbon was an exceptionally suitable place for the management of the empire as it was surrounded by the oceans. Finally in 1582, as a conclusion of the ruler's decision, the Spanish government left this excellent place and locked itself into immobile Castille.

In as much we take into consideration the directing cities of the late Middle Ages and the Early Modern Times, Venice, Antwerp, Genoa, Amsterdam or London, we may observe that the full arsenal of the economic rule was not at the first three cities' disposal. In the 14<sup>th</sup> and 15<sup>th</sup> centuries, Venice was a dealer city living a heyday, in which industry have already appeared, but the credit system was the real engine of the Venetian development. Antwerp was not more than one of the guesthouses of the Portuguese and the Spanish trade, where it was possible to obtain all European and overseas products. Genoa's economic power is based on the banking services, and the city's distinguished position derived from the situation that the most critical customers were the Portuguese king and the emperor of Spain. Amsterdam and London were the first cities, where the full toolbar of the economic power was present already. They kept under controll the shipping, the trade, the industry and the credit businesses equally.

Directing cities had the most different regional background. Venice was a strong and independent state, which built up an extensive colonial empire. Antwerp had its own territory where it exercised political control. Genoa was more than a regional skeleton, the power of which was based on the exclusive financial services. We may assign the United Provinces to Amsterdam, and the English national market to London though.

We may summarise that since the 14<sup>th</sup> century, the spatial shifting of the directing cities defines European history. The centres being shifted elucidated what kind of factors were appreciated in value in the European history in different periods, like shipping, trade, industry, credit, political power or military violence.

## The economy world's inner hierarchy

All economy worlds are a unit of band of zones being on different levels of development. Inside an economy world, three space types are expedient to distinguish: the centre, the relatively



advanced transitional zone, and finally the extensive periphery. The character of society, technical standards, culture and political constructions changes area by area.

It is not particularly difficult to define the central area, and the concept of the centre. In the centre everything is at disposal including the most advanced and the most differentiated products. At the beginning of the 16<sup>th</sup> century, Antwerp was the centre of Europe's trade while the Low Countries was only a suburb of Antwerp. In the ruling years of Amsterdam, the United Provinces were the central zone, while during the apex of power of London, England, and the British islands were the central zone.

The most important factor in defining the transitional area, the half periphery is if it was colonised by foreign merchants, and what position these merchants have in the decision-making of the local government. At the time of Philip II, the direction of the Spanish economy and empire was in the hands of Genoese bankers. Lyon, which was the engine of the French economy in the 15<sup>th</sup> end 16<sup>th</sup> centuries, was in fact an Italian Merchant agency. In the two essential bases of the East and the West Indian trade, in Lisbon and in Cadiz all merchant houses were under foreign control and property until the 18<sup>th</sup> century.

Looking for the areas of the peripheries, it is almost impossible to make a mistake, because the deciding part of the population is a serf in these poor and archaic countries. In the periphery, financial management is not really present, the division of labour is in a very primitive phase, and the peasants mostly supply themselves with industrial products.

There were however isolated areas in Europe which did not have resources which could be used by the economic system. Areas staying outside of trade existed even in the 18<sup>th</sup> century, like inner countries in Bretagne and locked valleys in the Alps, which kept their medieval relations.

## The economy world's relation to the other dimensions of the history

Economy is not an isolated dimension of history, it fit into other units, like culture, society and politics. Economy turned into a central guiding force of directing historical processes at the time of the late Middle Ages and the Early Modern Times.

**The state: the political and the economic power.** The economy world's centre is a strong and aggressive state. Venice was like this in the 15<sup>th</sup> century, the Netherlands in the 17<sup>th</sup> century, England in the 18<sup>th</sup> and 19<sup>th</sup> centuries. The central governments were able to keep order in the cities, collect fees and taxes, and they were ready to guarantee the credits and the safety of the trade within the country. If their interests were hurt in a foreign country, they were prepared for the application of violence. The European economy world's central states were city-states (état-ville) in the first era of the system, but the territorial states (état-territorial) were strengthening gradually at the time of the Early Modern Times.

The charismatic-traditional state elements were kept in the areas of the half periphery for a long time, and they mingled with the modern forms. The governments of the half periphery, seeing the success of the centre's dealer states, attempted to catch up with them in terms of economic development. They handled the various devices of protectionism in order to accelerate the growth.

The states of the periphery were also influenced by events of the economy world. In as much the centre behaved too aggressively, they may have even become independent, like the United States made it in 1776. It was much frequent though

that the economy was controlled by the local group keeping in touch with the foreign merchants. An excellent example was Poland's case, where the state was turned into an institution without all power already at the end of the Early Modern Times.

**Empire and economy world.** At the time of the late Middle Ages and the Early Modern Times, there were four empires that was able to controll an economy world itself; India, China, the area of the Ottoman Empire and Russia. In these empires, the economy suffered from the unbalanced political power. It was not a surprise in this political atmosphere that Cantacuzen, a banker of the Ottoman Empire, was hanged up in the park of his castle in Istanbul by the sultan's command on 13<sup>th</sup> March 1578. In Russia, Prince Gagarin, the governor of Siberia fell prey to the tsar's financial difficulties in 1720. The tsar sentenced the prince to death with the charge of abusing with his official power.

The economy worlds were able to organise themselves despite all of the debaucheries of the empire. The Armenian dealers in the suburb of Esfahan (Iran) traded practically with the whole world. The Indian bhajans, a merchant caste, had settlements from East Africa to Moscow. The Chinese dealers colonised the Malay archipelago. Russia took under controll the whole Siberia, this vast periphery, in one single century. Wittfogel is right when mentioning that in Asia's traditional realms the state is much more robust, than the society. Still, according to Braudel, the state comes on more potent than the society, but not stronger than the economy.

**War and economy world.** The war sped up the technical innovation in the economy world's inner zones, and the war had a general economy-activating effect at the same time. It was necessary to supply the soldiers with food and clothing, and then it was required to restore the destroyed areas. Several scholars and disciplines dealt with the war, the army's leadership in Europe's affluent areas (battle, siege). The peripheries, however, applied the method of the guerrilla warfare against the centre very early.

**Society and economy world.** The economy worlds' centres built up the channels of trade, and it was connected into the network of slavery as various local societies applied the serf labour or the commission system. The Polish landlord, the Brazilian engenho, the Lisbon dealer, the Jamaican planter and the English banker got into contact with each other in the framework of the expansive European economy world. The centre did not keep the whole economy world's area under direct control, but occupied only the crucial points of the system, and checked the channels of accumulation. The population living in the central zone shared the profit of the economy world's management to a different extent. The areas of the centre were the most important targets of migration observing the flow of the goods at the same time. In the heyday of the United Provinces, the immigration of the population was continuous from German areas. Scotland and Ireland were similar reserve areas for England at the time of 18<sup>th</sup> and 19<sup>th</sup> centuries.

**Culture and economy world.** Culture is the oldest element of human history. Literature, arts, lifestyle and ideological currents belong to the broadly interpreted concept of culture. There is no hierarchy relation between the civilisation world and the economy world, but they may have been connected from time to time and may have helped each other. The conquest of the New World was an economical and civilizational aggression and expansion simultaneously. One of the secrets of the success of Western commercial capitalism was the bills of exchange that

were spread in the European Christian world, however only until the 13<sup>th</sup> century. The system of the bills of exchange increased the efficiency of the European trade in a considerable measure, at the same time, due to the lack of the bills of exchange, business slowed down sharply near the civilizational borders.

Strangely enough, the European economy world's leader was never able to get the sceptre of the culture. In the 13<sup>th</sup>-15<sup>th</sup> centuries, Venice was the queen of the trade, though the centre of the cultural life was Florence, from where the Renaissance launched. It is not by chance that the Tuscan dialect is the basis of the Italian literary language. The 17<sup>th</sup> century passes under Amsterdam's rule, but the centre of the baroque art were Rome and Madrid. In the 18<sup>th</sup> century London became the world's economic centre, but French turned into the aristocracy's, literature's and travel's language after all. The situation is different in the fields of technology and science. They showed the most intense improvement near the centres. This was the case from Venice to London, however, as Braudel wrote it, technology is only the body of civilisation and not the soul.

## THE TIME OF THE HISTORY

Time philosophy distinguishes time of two kinds since the 15<sup>th</sup> century: the linear, irreversible and cumulative time, and the cyclic time. The philosophers, and the practising historians' majority agreed until the end of the 19<sup>th</sup> century entirely, that the time of history is linear, cumulative and irreversible. The events follow each other according to their own inner logic, which however does not exclude the possibility of the hierarchy of events.

The crises of the second part of the 19<sup>th</sup> century shook the autocracy of the linear time concept, and the cyclic time concept increasingly conquered space in the social science analyses since the turn of the 19<sup>th</sup> and 20<sup>th</sup> centuries. According to the cyclic time concept, the various historical formations (prices, mental currents, power forms) has careers with a unique longitude, in the course of which balance motions happen with a certain regularity. The historical moment is the segment of historical processes though, in the different phases of their development.

### The cyclic time

The 6-8 year long Juglar cycle was known already at the turn of the 19<sup>th</sup> and 20<sup>th</sup> centuries. In 1923, W. L. Crum and J. Kitchin pointed 40 monthly cycles independently from each other. Then in 1926 Kondratiev proved the existence of the 40-60 year-long cycle based on the changes of German, French and English prices. The examination of the cycles was the privilege of economists for a long time. Their analyses focused primarily on short and medium-range changes of modern economy, and the study of the cycles with a long time cycle was neglected. There is not any sense of the examination of the long time cycle from an economic viewpoint, partly because their slowness conceals these, and partly because these give the horizon for the shorter cycles.

The first historian, who was engaged in the examination of the business cycles,

Ernst Labrousse, was one of the founders of the Annales school. Labrousse published his book in 1932, dealing with the analysis of the prices and income in France in the 18<sup>th</sup> century. The French author distinguished three types of changes of the economy in time: the trends with a long time cycle, the cyclic changes (the 10-12 year-long business cycles were named after him) and the seasonal oscillations. Labrousse dealt with the examination of the construction of the traditional economic crisis. The economy of the “ancien régime” can be characterized by the dominance of high expenses of the continental transportation, the dominance of agriculture, the general inflexibility of the production and the high proportion of the living expenses. The bad crop was the primary reason for the crisis. In this situation, income of the agrarian population decreased, and the grain prices were growing. The decrease in agricultural revenues reduced the demand for industrial products, which resulted in an industrial crisis. In the last stage of the crisis, the crisis expanded to all areas of the traditional economy.

### The rhythm of the history

Fernand Braudel, French scholar created the other big cycle theory of history. The braudelien historical time concept has three dimensions: the time of the events, the time of prosperities and the time of structures. The structure has been the totality of geographical, ecological, technical, economic, social and political relations that remain constant for a long time and changes very slowly. The structure defines the borders among which the cycles of the prosperities happen. The economy worlds were the spatial equivalents of the time of the structures according to Braudel. Historians often call the transformations of the structures revolutions. Besides the traditional category of the political revolution, the notion of industrial revolution is used universally in the historical literature, as well as the agricultural revolution of the 12<sup>th</sup> century, and the commercial revolution of the 13<sup>th</sup> century and the concept of the scientific revolution of the 16<sup>th</sup> and 17<sup>th</sup> centuries. Similarly to other cycles, the time of the structures, called century cycles, also has a beginning, a peak and an endpoint. The centuries’ trend line may be very uneven, therefore the crucial points of the cycle can be defined with estimation only.

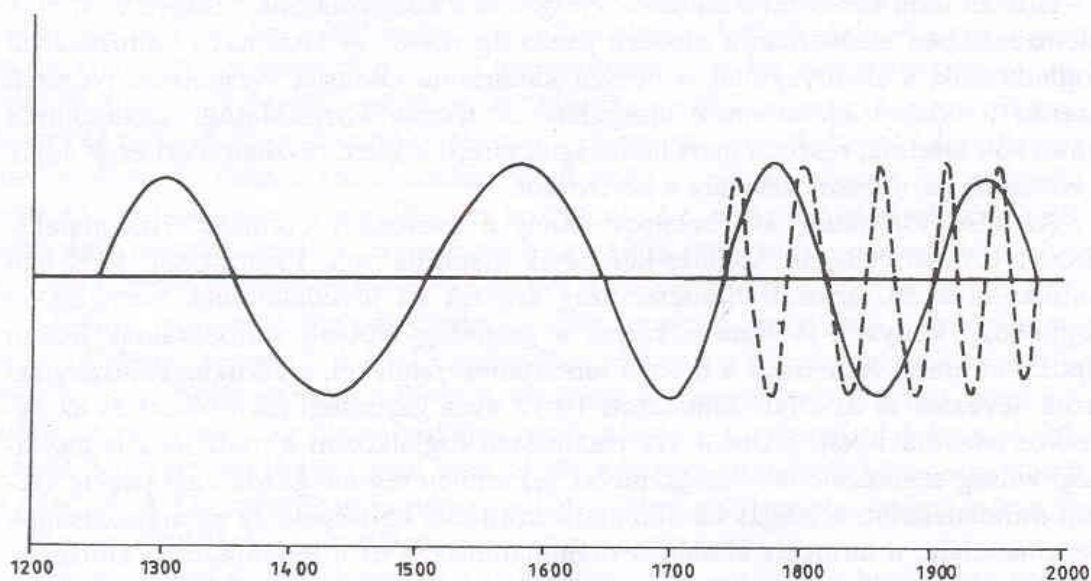




Figure 2. The Kondratiev cycle and the centuries trends. (Imbert, G.: *Des mouvements but longue durée* after Kondratieff, 1959, Paris).

According to Braudel's definition we may divide the European economy world's medieval and modern history into four cycles:

1. 1250(1350)1507-1510
2. 1507-1510(1650)1733-1743
3. 1733-1743(1817)1896
4. 1896(1974?)

The first and the third years indicate the beginning and the endpoint of the cycle, the middle one is the turning point. The years of the chronology reconstruction cannot be considered unquestionable. Instead of 1250, we may select the end of the 12<sup>th</sup> century as the starting point of the first cycle. There is less doubt considering the definition of the beginning of the crisis. The plague epidemic in the middle of the 14<sup>th</sup> century revealed those slow transformation processes of the medieval Euro-Mediterranean economy world that landed in a general crisis. The Christianity lost the Crusades, and it lost the fort of Accon (Akko, Israel) the last bridgehead of the Holy Land in 1291. From the beginning of the 14<sup>th</sup> century, the Champagne-Brie fairs started to decline. The Mongolian road collapsed around 1340, which affected the trade of Venice and Genoa seriously. Islam advanced into the traditional Levantine harbours in Syria and Egypt. The weight of these political and economic transformation processes were increased by the fact that they affected first of all the European economy world's Mediterranean pole, which was the centre of the system at the time of the Middle Ages.

The long prospering 16<sup>th</sup> century was closed around 1650. In the middle of the 17<sup>th</sup> century, the degradation of the Mediterranean region had already ended, at the same time the new Western-Atlantic system with Amsterdam in its centre, worked unbalanced. At the time of the 17<sup>th</sup> century's crisis, the Basin of the Mediterranean Sea were definitively left out of the historical currents defining the European economy world's development.

The crisis of the third cycle started in 1817 when the continent grappled with the crisis of the last years of the Napoleon wars. Moreover, between 1812 and 1817, the coldest summers of the millennium followed each other in Europe. The overture of the last wave of the cool-wet weather of the Little Ice Age affected the agriculture seriously and was appropriate for the spread of the epidemics. A cholera epidemic ravaged on the Southern part of the Mediterranean Sea, while in the same years, in 1816 and 1817, the plague was furious in Southeastern Europe. The most severe typhus epidemic of the history of the continent ravaged in Europe between 1816-1819. The gravity of the crisis of the 1810s indicates that it is comparable with the crisis of the 14<sup>th</sup> century. For the widening European economy world at this time, England was the centre already, and finally the rival Netherlands disappeared from the horizon.

The century-long trend carries shorter cycles, which may strengthen or weaken it. In terms of the centuries-long trends, the Kondratiev cycle is the the most important because it influences the fate of two generations. According to Braudel, the music of the long prosperity is played in two phrases.

## The linear time

In as much we expand the optics of the historical analysis, it became evident that the historical transformation processes are linear, cumulative and irreversible. The first process is the growth of the human population, which in centuries' scale cannot be considered either linear or irreversible, but in the larger millennia scale it is hardly questionable. The second process of human history was the exponential increase in the quantity of energy per capita. The third was the growth of the amount of information accumulated in humanity's collective memory.



## QUESTIONS

### Definitions:

- How can the concept of the economy word be defined?
- What time concepts exist in historical thinking?

### Short essays:

- What is the relationship of the economy world to other historical factors?

## BIBLIOGRAPHY

### World economy – economy world

- Braudel, F.: La Méditerranée et le monde méditerranéen à l'époque de Philippe II, Paris 1949.
- Braudel, F.: Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle. Tome 1 Les structures du quotidien: le possible et l'impossible, Paris 1979. Tome 2 Les jeux de l'échange, Paris 1979. Tome 3 Le temps du monde, Paris 1979.
- Braudel, F.: The Perspective of the World, London 1984.
- Frank, A.G.-Gills, B.K.: The World System. Five Hundred Years or Five Thousand? London 1993.
- Huang, X.: Modern Economic Development in Japan and China: Developmentalism, Capitalism, and the World Economic System. London 2013.
- Landau, A.: The International Trading System. Routledge 2005.
- Nef, J.U.: La Guerre et le progrès humain, Paris 1954.
- Pirenne, H.: Les villes des Moyen Age. Essai d'histoire économique et sociale, Bruxelles 1927.
- Pomeranz, K.: The Great Divergence. China, Europe, and the Making of the Modern World Economy. Princeton. 2000.
- Wallerstein, I.: The Modern World-System. Tome 1 Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century, New York 1974. (magyar nyelvű fordítás 1984). Tome 2 Mercantilisms and the Consolidation of the European World-Economy 1600-1750, New York 1980. Tome 3 The Second Era of Great Expansion of the Capitalist World Economy, 1730-1840s, New York, 1989.
- Wallerstein, I.: The Politics of the World-Economy. The States, the Movements, and the Civilizations, Cambridge 1985.
- Wittfogel, K. A.: Die orientalische Despotie. Eine vergleichende Untersuchung totaler Macht. Berlin 1962.

### Historical time

- Braudel, F.: Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle. Tome 3 Le temps du monde, Paris 1979.
- Fliedner, D.: Society in Space and Time. An Attempt to Provide a Theoretical Foundation from an Historical Geographic Point of View, Saarbrücken 1981.
- Imbert, G.: Des Mouvements de longue durée Kondratieff, Paris 1959.
- Labrousse, E.: Esquisse du mouvement des prix et des revenus en France au XVIIIe siècle, Paris 1932.
- Pomian, K.: L'Ordre du Temps, Paris 1984.

## THE MEDIEVAL EUROPEAN ECONOMY WORLD

The waves of 5<sup>th</sup> century migrations caused the fall of the Western Roman Empire and drew the lines of the European civilisation. The European horizon expanded into the direction of Germania, Eastern Europe and Scandinavia and new sea zones were integrated: the Baltic, the Northern and the Irish Sea. But the Mediterranean Sea was lost for the Western Christianity for centuries and became the inland sea of the Byzantine Empire and the Islamic civilisation. The inner borderland was the essential space of the European expansion in the early centuries of the Middle Ages: the forests, the marshes and the uncultivated areas. Reviving the inner regions proved to be of deciding significance in terms of European development. According to Georges Duby, the consequences of the medieval agrarian revolution for the European economy started to step out from the direct agricultural consumption (self-sufficiency) since around 1150 and launched the age of the indirect agricultural consumption, as a result of which the circulation of farming excesses began. The cities were the leaders of the exchange. According to Braudel, the Western medieval town was an autonomous and aggressive universe, the scene of the unequal exchange.

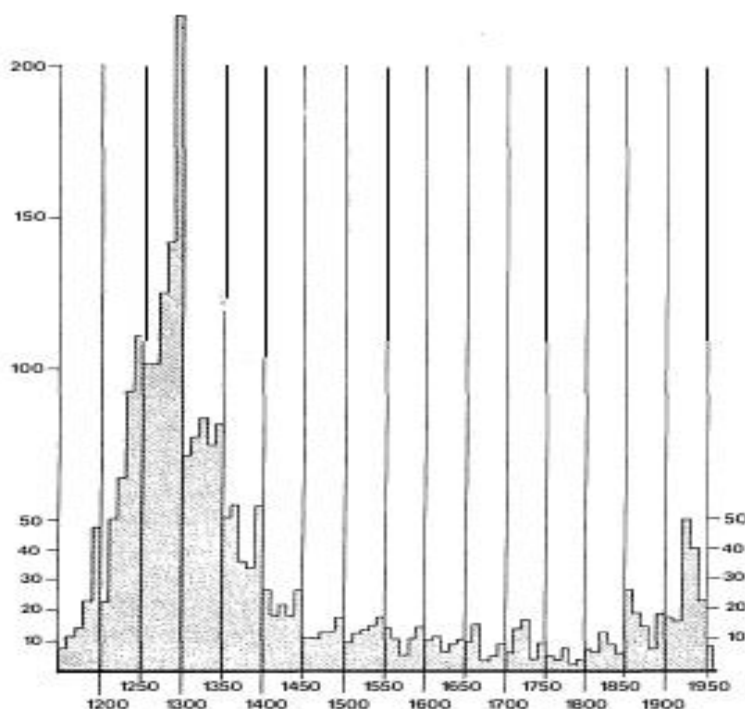


Figure 3. Reviving Europe's inner areas, city foundations in Central Europe (F. Braudel: *The Perspective of the World*, London 1984, 93 p.)

The daily supply of the European cities with a growing number of inhabitants insured the system of the markets. Markets were held on particular days of the week, in designated places. It was

possible to buy everyday products at the markets. Price changes of the European cities' markets in the 12<sup>th</sup> century indicate that some kind of commercial network may have been taken shape already by this time among the cities. Some markets became specialized. One of the earliest examples was Toulouse, where a weekly grain market were kept regularly since 1203.

The first shops were opened in the neighbourhood of the markets in the 11<sup>th</sup> and 12<sup>th</sup> centuries. Artisans were serving daily claims like bakers, butchers, shoemakers, cobblers and tailors. Artisans themselves were the shops' proprietors at this time. It became general in the 13<sup>th</sup> century that a shopkeeper mediated between the producer and the consumer. The spatial network of long-distance trade were created by the 13<sup>th</sup> century, meaning that fairs were held at the most critical junctions. The fairs are the old institutions of the European trade, some of them having roots back until the Roman age (e.g. the first fair of Lyon was kept in 172). The strengthening of the European economy and the relative consolidation of the political situation lead to the significant rebirth of the fairs in the 11<sup>th</sup> century. Fairs were able to mobilise vast regions' economy, and at the most important fairs, practically all of the European merchant society met. The fairs were temporarily existing cities, where the big merchant houses turned into the most important economic players, and the traffic of the products with a significant value made the majority of the commercial transactions. The integration of the European economy world, directed by the cities, started in the 12<sup>th</sup> century. The Fairs of Champagne and Brie connected the Northern (Low Countries) and the Southern poles (Northern Italy) finally in the 13<sup>th</sup> century. However, the medieval European economy world was left bipolar fundamentally.

## NORTH

### Low Countries

The cities of the medieval Low Countries did not have antique antecedents; Liege, Löwen, Antwerp, Ypres, Gent or Bruges were the results of medieval foundations without exception. The series of Norman predatory incursions broke the region's first rise between 820 and 891 and the economy of the Low Countries became lively again after the war ended. Due to the adverse environmental conditions – being a lowland, high underground water-level, frequent sea thunderstorms – the inhabitants of the Low Countries were forced to start trading and industrial activities relatively early. By the 11<sup>th</sup> century, a big textile industry zone was developed between the Seine River and the Zuider Zee, and one of the centres of it was Flanders. This textile industry zone connected extensive European areas. The wool was imported primarily from England and Scotland, that were also one of the most important export areas of Flanders' fabrics. Large French areas possessed by the English ruler took part in this commercial network likewise, through which the wheat of Normandy and the wine of Bordeaux were also distributed. However, the Northeast branch of the mercantile system was connected to the Hanseatic League's network.



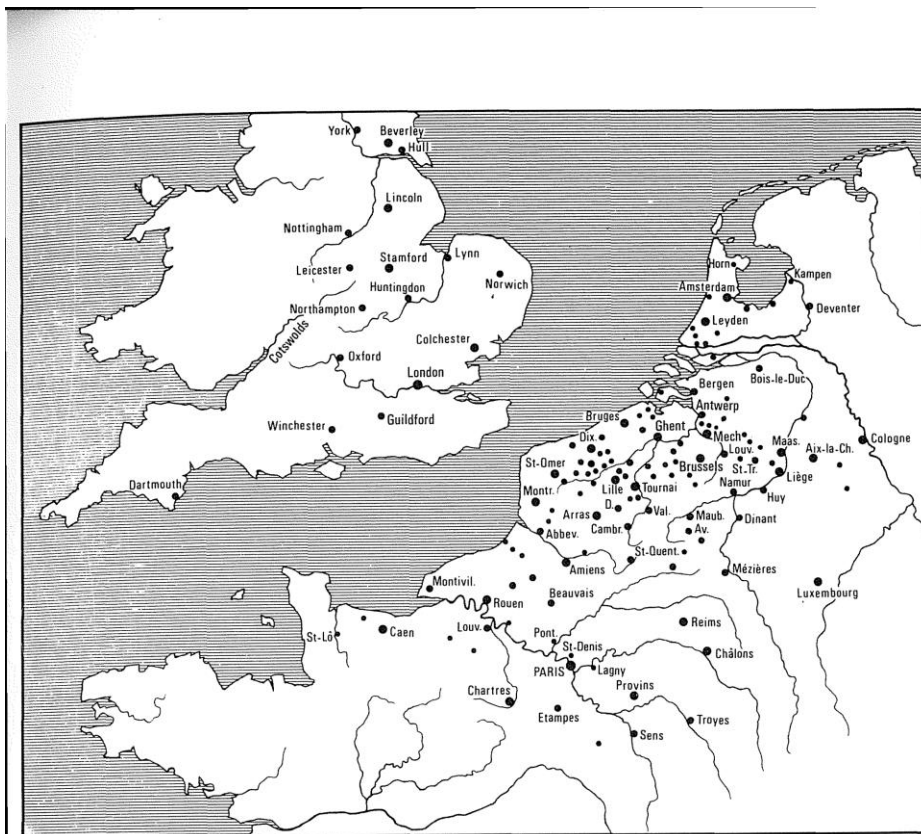


Figure 4. The industrial pole of the North. Textile industry firms' zone between Seine River valley and Zuider Zee (F. Braudel: *Le temps du monde*, Paris 1979. 79 p.)

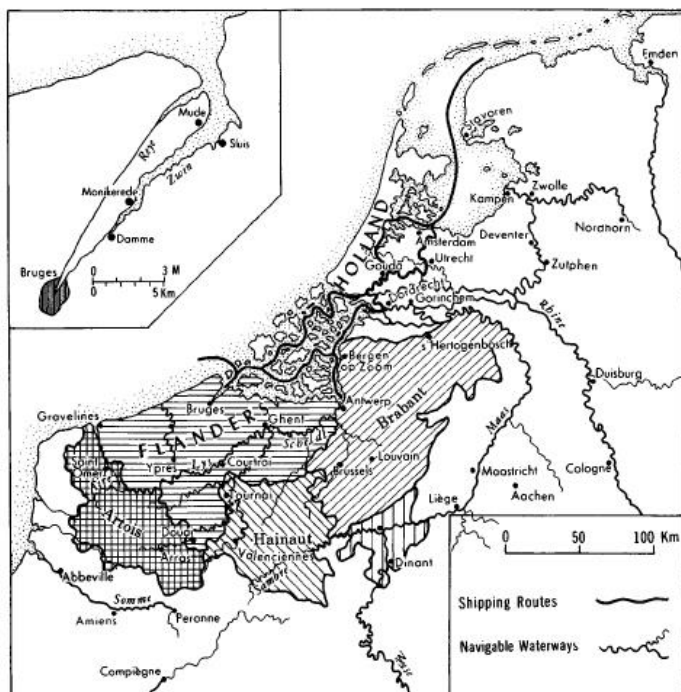


Figure 5. The Low Countries in the middle of the 14<sup>th</sup> century (N.J.G. Pounds: *An Historical Geography of Europe (450 B.C.-A.D. 1330)*, Cambridge 1990. 207 p.)

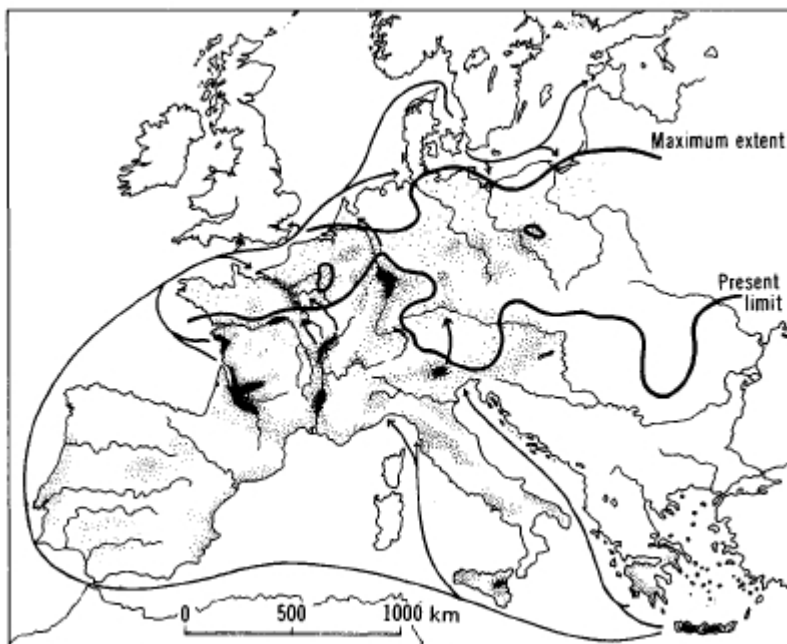


Figure 6. Grape growing areas and wine trade in Europe. The most extensive areas of the grape growing was in the 13<sup>th</sup> century. Following this century, the Northern vineyard declined partly for the climate decay of the Little Ice Age, partly due to the intensifying wine trade (N.J.G. Pounds: *An Historical Geography of Europe (1500-1840)*, Cambridge 1990. 280 p.).

By the 13<sup>th</sup> century, Bruges became the centre of the economy of the Low countries. A regular sea contact developed between Genoa and Bruges since 1277 and the Venetian merchants connected the city into their commercial network since 1314. The Italian merchants settled down in Bruges bringing their money, and the knowledge of bank techniques. They distributed Asian spices in exchange for the industrial products of the Low Countries. As a consequence of unbroken economic development, Bruges opened the most remarkable stock exchange of Europe in 1309, which represented the more-developed system of moving money in this age. In 1340, the number of inhabitants was 35'000, and by 1500, the number reached 100'000, meaning that the city became one of the most important cities of Europe. The stock exchange of Bruges was a constant place of encounter for merchants, bankers and other people in business staying in the city. The institution of stock exchange offered a firmer and more efficient framework in the long-run compared with fairs.



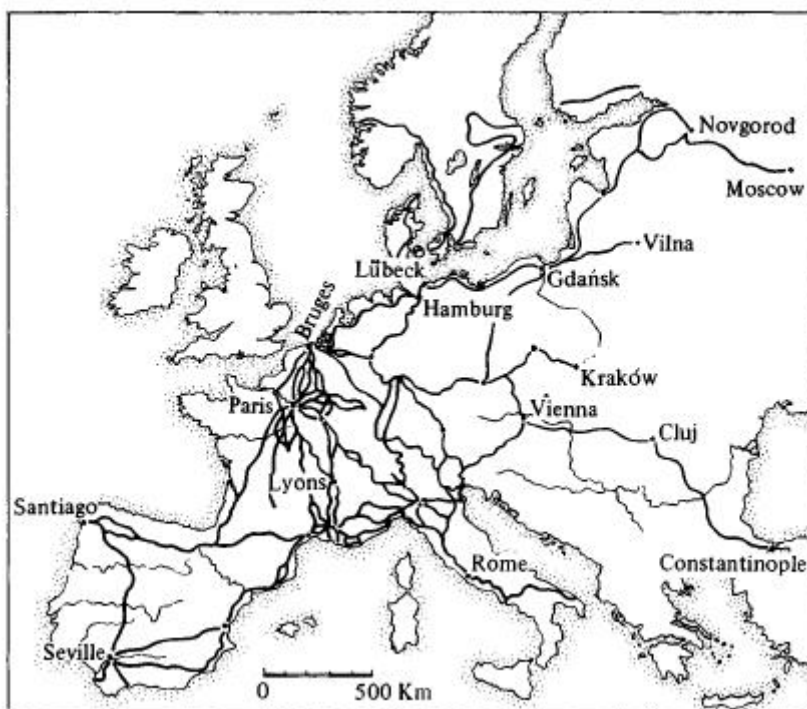


Figure 7. Bruges' commercial horizon. The map presents the trade routes of a 13<sup>th</sup> century's guidebook published in Bruges (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 181 p.).

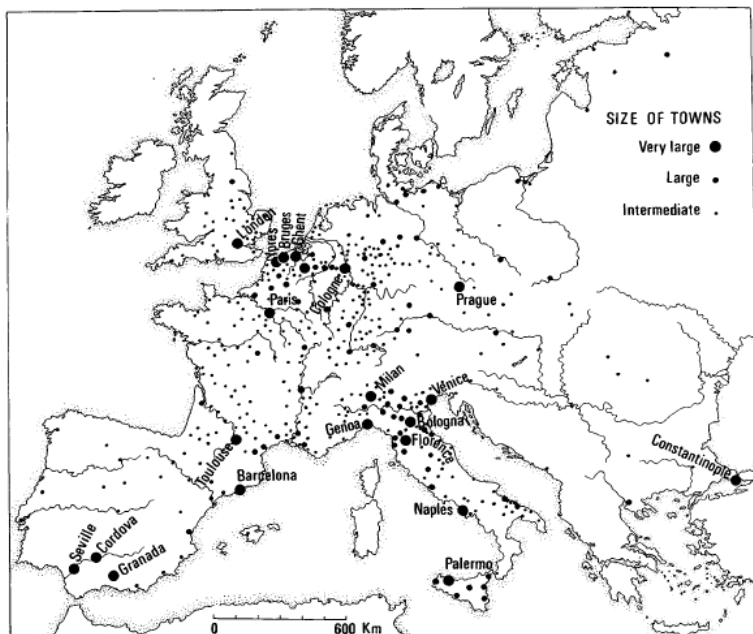


Figure 8. Medieval Europe's cities (N.J.G. Pounds: *An Historical Geography of Europe* (450 B.C.-A.D. 1330), Cambridge 1990. 164 p.)

## Hanseatic League

The inner zone of the Hanseatic League was the Baltic Sea, but its merchant

activities expanded to the North Sea, the Channel and the Irish Sea too. The integration of this Northern region began in the 8<sup>th</sup> and the 9<sup>th</sup> centuries when the Norman settlements' network from the English and French coasts unfolded entirely to Novgorod. However, real international trade did not exist before Hanse.

The history of the forming of the Hanse in the 12<sup>th</sup> century is little known. The name Hanse means the group of merchants. The name of Hanse appeared in the documentary sources very late, mentioned first in 1267 in a diploma issued by the English king. The Baltic zone, giving the Hanse's core area in the time of the Middle Ages, was a relatively advanced region, from where primarily raw materials and food were exported into the countries of the industrialised West. Tree, wax, rye, wheat and woodenware were transported on Hanse's ships to the Low Countries, England and France, in exchange for salt, fabric, textile and wine. This commercial system was simple, robust, but very fragile at the same time. The reason for the fragility of the system was the lack of state control or a strictly organised league first of all. The Hanseatic League was merely a loose coalition of cities', which rivalled with each other. Members of the league varied between 70 and 170 cities. The strength of the Hanseatic League rooted in using the same commercial system and being part of the same civilisation. The collective interest and the civilizational proximity were mostly enough for the foundation of strong solidarity and a public spirit. It was a vital coacting force that the Baltic region's cities were not quite big and costly (different from the Italian cities) that let them be fruitful in the international maritime trade even alone. Lübeck was the capital of the merchant league, where the first assembly of the Hanse was convened in 1356. The eagle, the symbol of Lübeck, became the Hanse's badge until the 15<sup>th</sup> century. Though the trade of Lübeck or the Hanseatic League did not attain the development level represented by Venice or Bruges. The elements of the money and the barter got mixed all the time in the Hanse towns' trade. At the same time, the commercial network of the Hanse was the first inter-regional system of Europe where the mass consumption products were distributed in a large quantity.

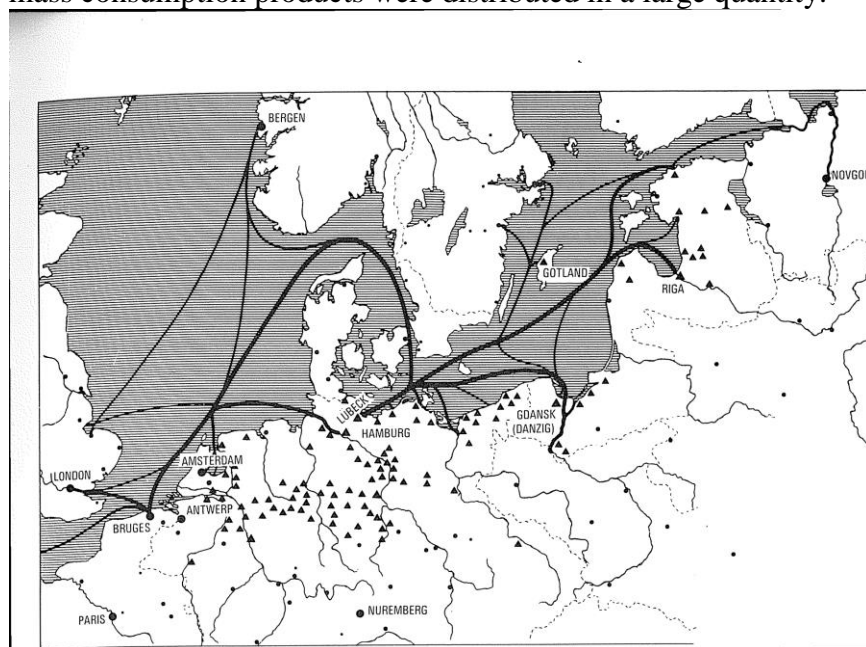


Figure 9. Trade of Hanse around 1400 (F. Braudel: *The Perspective of the World*, London 1984, 105 p.)

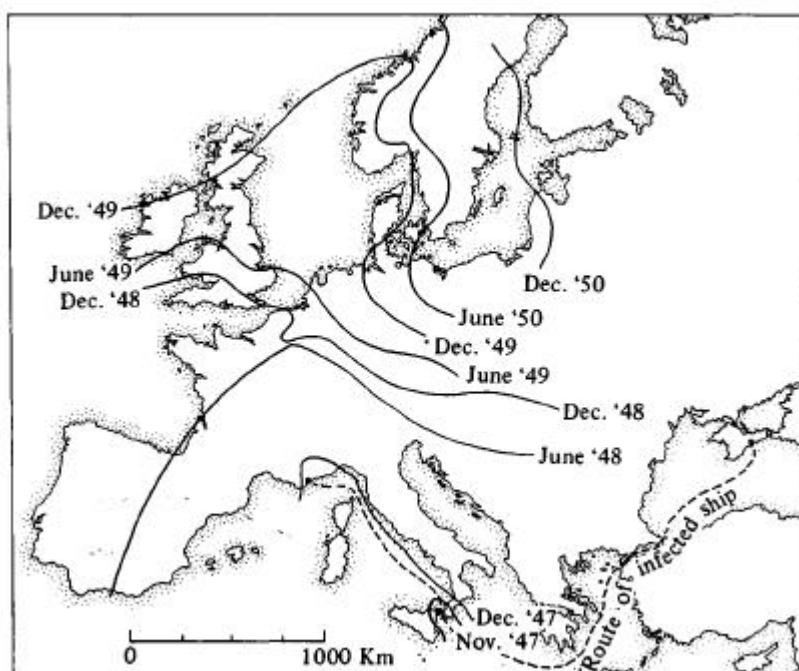


Figure 10. The spread of plague in Europe in the 14<sup>th</sup> century. The antecedents of the apocalyptic period of the black death dated back to the turning of the 13<sup>th</sup> and the 14<sup>th</sup> century. The European population's number of inhabitants (90 million according to the estimates) attained the upper limit of the carrying capacity of contemporary agriculture to the beginning of the 14<sup>th</sup> century. The technical development of agriculture slowed down powerfully in already the 13<sup>th</sup> century, and the cold period of the Little Ice Age entering at the beginning of the 14<sup>th</sup> century aggravated the situation for long, as a result of what the European population's living space narrowed down significantly. The North European and the highland marginal agricultural areas became depopulated. The first crisis came forward between 1313 and 1321 when the majority of the vegetation period was cold and wet. The demographic, the economic and the environmental effects together contributed to the beginning of terrible famines. By 1340, in Europe, in many directions the lands were left uncultivated, partly because the famine caused decline in population, partly because of the exhaustion of the land, and partly because of the decay of the draught animals. The underfed, starving European population had been stricken by the first wave of the plague with a central Asian origin between 1347 and 1351. The mortality rate was highest in the cities, in the harbours and along the trade routes. The plague recurred several times in the second half of the 14<sup>th</sup> century and as a result Europe lost one third of its population during the 14<sup>th</sup> century (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 188 p.).

The crisis of the 14<sup>th</sup> century created steady prosperity for Baltic foods. The plague affected the population of the Low Countries only slightly, so the claim for the Baltic import was growing continuously. However, after 1370, the price of the agricultural products decreased consistently with the end of the living crisis. On the other hand, the price of industrial products rose, which had taken back the Hanse trade strongly. The recession affected the Hanse hinterland, moreover the league had to face the region's strengthening territorial states also. The relation with Denmark was tense for centuries because of the Sund usage. The English and the Dutch dealers attempted to supplant the Hanseatic League from the Baltic trade, knowing the efficient



state support behind themselves. Moreover, Poland appeared on the horizon following the defeat of the Teutonic Order (1466) and the Grand Duchy of Moscow after conquering the aristocratic republic of Novgorod (1476), which was the most Eastern city of Hanse. Although Lübeck was able to win its war waged against England between 1470 and 1474, the decline of the merchant's league was already unstoppable.

## SOUTH: THE CITY-STATES OF ITALY

Three civilisations shared the Southern territory of Europe in the time of the Early Middle Ages: the Byzantine Empire, the Muslim world, and Western Christianity. The gravity centre of the Mediterranean economy should have come into existence around the time of the Byzantine Empire. But despite the richness and experiences in international trade, the organization of trade was too slow for the Mediterranean Sea. This task was executed by Italian city-states that started with the most considerable developmental disadvantage.

In Italy, Amalfi was the flagship of the Mediterranean trade between the 9<sup>th</sup> and 11<sup>th</sup> centuries. The city was located South from Naples, in a most narrow gulf, which were surrounded by barren mountains. In this physical environment, trade was the only chance to earn a living for the city dwellers. The development in Amalfi is proved by the fact that advanced financial management and notary services existed already from the 9<sup>th</sup> century. The city's blooming fell to the 10<sup>th</sup> and 11<sup>th</sup> centuries, at the time when the Christian zone of the Mediterranean Sea accepted a maritime law. However, in the 12<sup>th</sup> century, the city started to decline quickly, because, in 1100, 1135 and 1137 Normans squandered its fortune and in 1343 a tsunami destroyed the most significant part of the buildings.

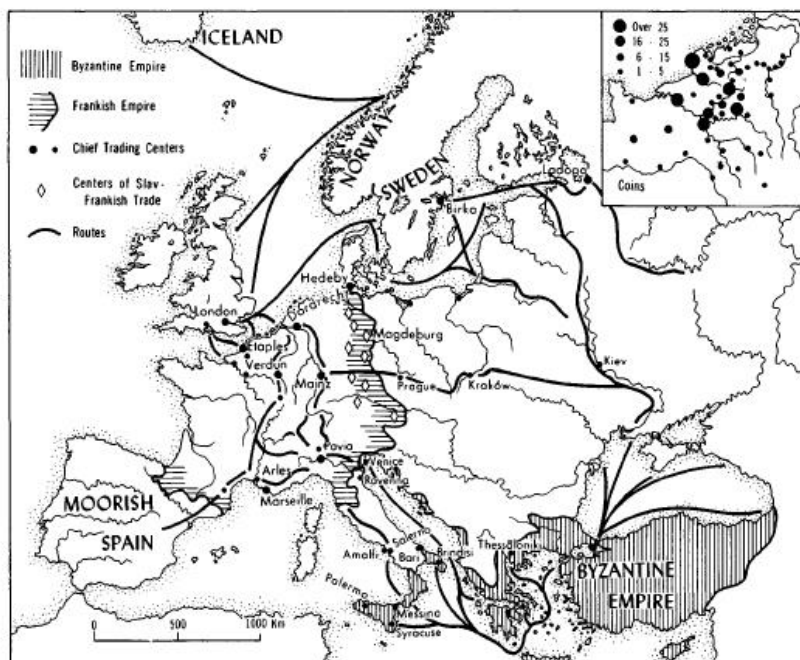


Figure 11. Europe's trade and commercial roads at the beginning of the 9<sup>th</sup> century. The extension map shows the spatial distribution of the coins found in the course of the archaeological explorations. (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 111 p.).

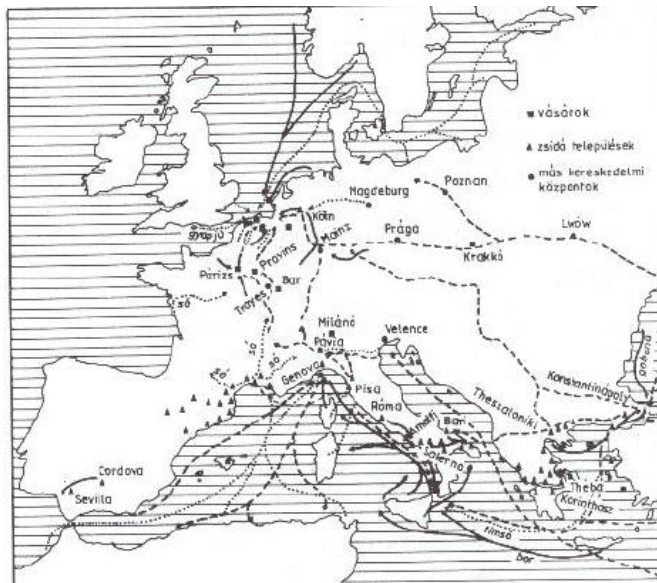


Figure 12. The landscapes of the commercial roads of Europe around 1100 (N.J.G. Pounds: *An Historical Geography of Europe (450 B.C.-A.D. 1330)*, Cambridge 1973. 302. p)

Three cities of Northern Italy competed for the acquisition of the most critical positions of the Mediterranean trade, following the decline of Amalfi: Genoa, Pisa and Venice. All three city-states dealt with trade, mediating fundamentally between the Byzantine Empire, the Islamic world's and Western Christianity's countries. The Italian city-states lived in symbiosis with the territorial states of their neighbourhood, aiming to merely controll the commercial superstructure. Still, the costly executive tasks were left for the territorial-states. The commercial privileges which the city-states obtained in the area of the Greek empire had strange significance. The internal market of the Byzantine Empire was protected slightly, which offered huge opportunities. Moreover, the imperial administration took their services, and the merchant city-states participated in the protection of the Empire. It was the most important for the Byzantine Empire to check the commercial roads leading to China and towards the Indian Ocean.

The Crusades provided unprecedented business prosperity for the city-states because the knights arriving from continental Europe required the help of the Italian merchants. The sea transport and supply of the armies proved to be a great business, and the Christian states created on the Holy Land formed a bridgehead towards the East. However, by the end of the 13<sup>th</sup> century, the Crusaders suffered a defeat. Fortunately, Cyprus, that was the strategic point of the Levant trade, was left in the hands of Christian merchants. The fight continued long in the area of the Mediterranean Sea, but not between Christianity and Islam anymore, but among North Italy's merchant city-states aiming to monopolise the trade of spices, primarily the trade of pepper. After the victory of Florence over Pisa, only two

city-states were left in the fight: Genoa and Venice.

## THE FAIRS OF CHAMPAGNE AND BRIE

At the time of the High Middle Ages, two economic poles were formed in Europe: the Low Countries and Northern Italy. By the beginning of the 13<sup>th</sup> century, a meeting and communication area arose between the two economic zones with different specialisation. The chain of fairs were organised in the provinces of Champagne and Brie, midway between the two European economic and commercial poles. Each fair was lasting for roughly two months, and six fairs were organised on four settlements. The first one started in January in Lagny-sur-Marne, the second in March in Bar-sur-Aube, the first fair of Provins opened in May, the “hot fair” in Troyes started at the end of June, the second fair of Provins started from the beginning of September, and the “cold fair” of Troyes closed the chain of fairs in the end of October. The change of scenes wandering from city to city happened in a clockwork-like manner, which was a very successful adaptation of the fairs-chain system invented in Flandes at the beginning of the High Middle Ages.



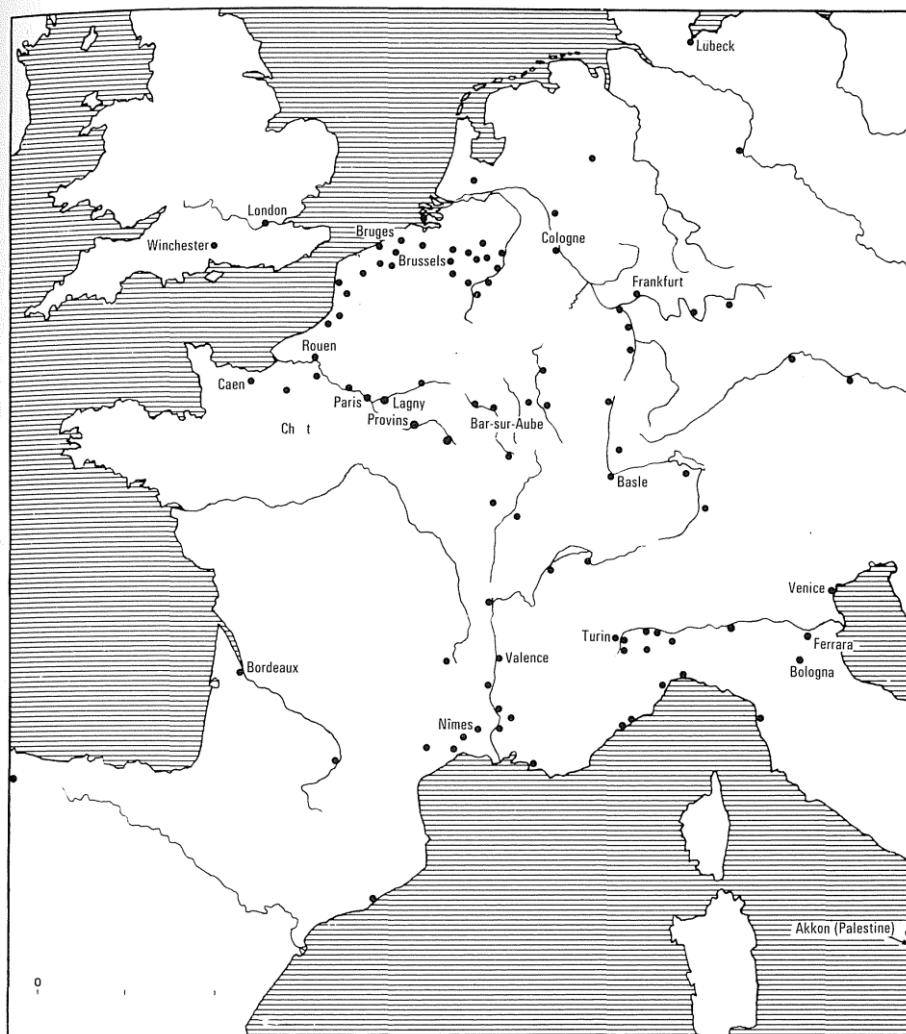


Figure 13. The European cities connected to the fairs of Champagne and Brie (F. Braudel: *The Perspective of the World*, London 1984, 29 p.)

Champagne and Brie did not have reportable rivals of fairs organised continuously in continental Europe, regarding the merchants' number and the greatness of the traffic. The European North and South met on these fairs. A similar commercial caravan route network was developed on the European continent with the interest of linking the two economic poles, than in the Muslim world across the deserts. Venetian and Genoese dealers regularly sailed on the Rhône and Saône, and guidebooks were written about the Alpine area.

A variegated craftsman society producing linen and baize primarily took shape around the fairs. The provinces of Champagne and Brie located in the frame of the large zone of the textile industry from the valley of the Seine River to the province of Brabant. The big centres of its environment were: Paris, Provins,

Chalons and Reims. The transcontinental trade transported the fabrics manufactured in the North through Italy towards the markets of the Mediterranean Basin. Italy mediated the products of distant countries in the 13<sup>th</sup> century. Pepper arrived on the roads of distributive trades to the fairs of Champagne and Brie, together with various other Far-Eastern spices, paints, silk, and finally gold and credit. Since the beginning of the 13<sup>th</sup> century Genoa, from 1250 Florence, and from 1284 Venice minted gold coin which was an evident sign of the strengthening of European trade and becoming independent monetarily from the Islamic dirham.

The fairs in Champagne and Brie meant a medieval commercial revolution. However, the new type of merchant travelled rarely, the transport of products were organised and made by specialists, the merchants directed the system of the credit and the bills with the help of contemporary devices of remote control. The bill of exchange was the most common form of credit in the European economic life at the time of the Middle Ages, with which it was possible to attain the postponement of the cash payment.

The decline of the fairs of Champagne and Brie began at the end of the 13<sup>th</sup> century and it was connected to the big recession of the 14<sup>th</sup> century that reached the peak at the time of the Black Death (1347-52). Genoese shipmen organised the direct maritime connection via the Low Countries through the Strait of Gibraltar which contributed to the decline of the continental fairs. The significant mining recovery of upper-German cities and the agricultural prosperity of the Rhine country did not favour for the fairs of Champagne and Brie. The route of the contact keeping between the European North and South shifted Eastward, to the Gotthard route, the "German Strait", opened in 1237, which became Europe's busiest continental route for the 14<sup>th</sup> and 15<sup>th</sup> centuries.

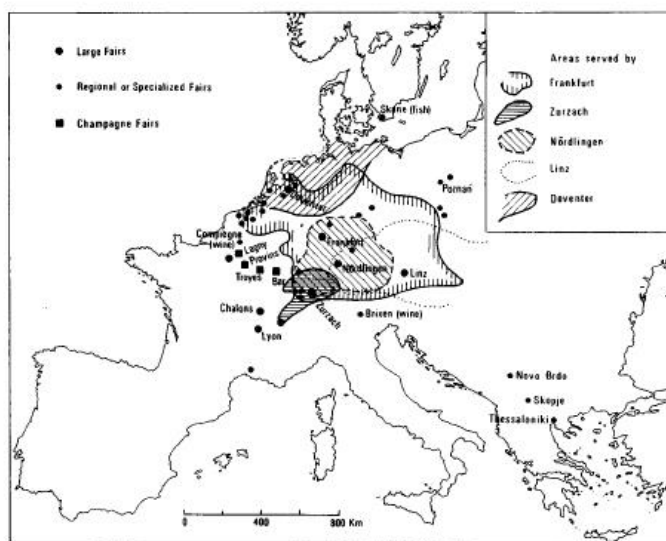


Figure 14. The map of the European fairs and backgrounds at the time of the 14<sup>th</sup> and 15<sup>th</sup> century. (N.J.G. Pounds: *An Historical Geography of Europe (450 B.C.-A.D. 1330)*, Cambridge 1973. 404 p.).

## QUESTIONS

### Definitions:

- What were the most important export products of the Baltic region?
- What was the Hanseatic League?
- What were the most important export products of the Low Countries?

### Short essays:

- How can the economic activity of Italian city-states be characterized?
- How have the Champagne-Brie fairs contributed to the development of the European economy?

## BIBLIOGRAPHY

### North:

Arblaster, P.: A History of the Low Countries. London 2005.

Dollinger, P.: The German Hansa, London 1970.

Houtte, J.A. van: Bruges et Anvers, marchés "nationaux" ou "internationaux" du XIV<sup>e</sup> au XV<sup>e</sup> siècle, Revue du Nord, 1952, pp. 89-108.

### Italian city-states:

Ashtor, E.: Levant Trade in the Later Middle Ages, Princeton 1983.

Boone, M.-Howell, M.: The Power of Space in Late Medieval and Early Modern Europe: The cities of Italy, Northern France and the Low Countries. London 2013.

Citarella, A.: Patterns in Medieval Trade: The Commerce of Amalfi before the Crusades, Journal of Economic History, 1968, 6.

Lopez, R.S.-Raymond, I.W.: Medieval Trade in the Mediterranean World, Oxford 1955.

Renouard, Y.: Les Villes d'Italie de la fin du Xe au début du XIV<sup>e</sup> siècle, Paris 1969.

### Fairs of Champagne and Brie:

Chapin, E.: Les Villes de foires de Champagne des origins au début du XIV<sup>e</sup> siècle, Paris 1937.



## THE LATE RISE OF VENICE

The destructions of the apocalyptic period of the Black Death dishevelled Europe's commercial system temporarily. The crisis shocked the bases of the spatial structures of the territorial states in the continent. Still, the Mediterranean trade left active and vivid, and the Italian dealer city-states survived the period of the crisis much more quickly.

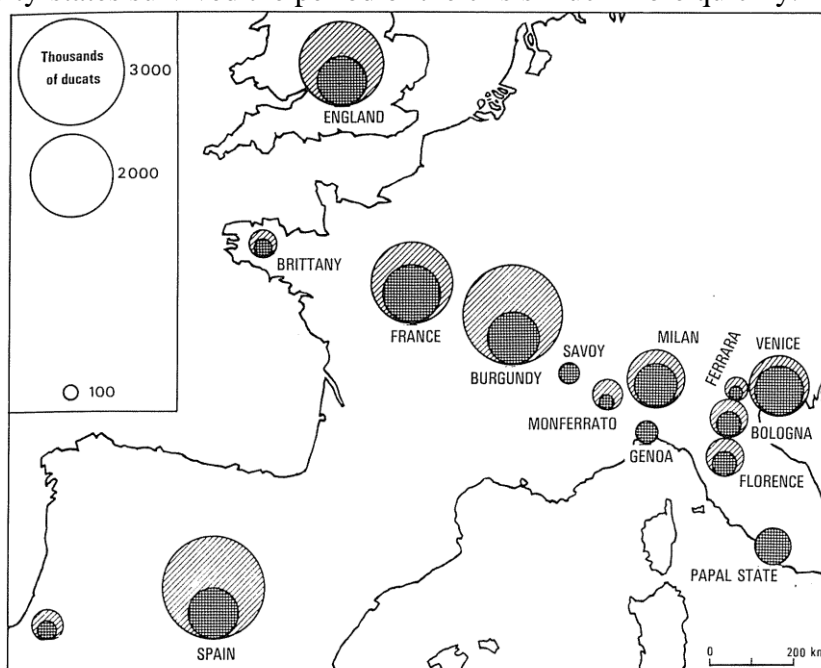


Figure 15. The decline of income of the states of Western and Southern Europe during the first quarter of the 15th century. The annual income of Venice moved around 7-800,000 ducats for one hundred thousand residents. This amount was roughly equal to the budget of England and the Iberian states, and lagged behind the 1,000,000 ducat income of France with 15 million inhabitants. The crisis yielded the decrease of the revenues everywhere, while the English budget decreased with 65%, the Spanish with 73%, the Venetian income decreased only with 27 % (F. Braudel *Le temps du monde*. 1979. 99 p.).

The rivalry of Venice and Genoa determined the economic and military history of the Mediterranean Sea in the 13<sup>th</sup> and 14<sup>th</sup> centuries. Genoa showed through a long time a favourite for the victory. In 1298 on Curzola (Korcula, Croatia) the Genoese galleys routed the Venetian fleet, and in 1379 the Genoese ships occupied Chioggia, the Venetian lagoons' Adriatic entrance. But in June of 1380 Venice brought significant material victims in the extreme danger and thank to this the Doge Vettor Pisani was able to reverse the procession of the fight. The Venetian fleet suffered considerable losses while inflicted a successful decisive defeat upon the Genoese. The peace treaty of Turin (1381) closed the war and did not give formal discounts to Venice. Still, Genoa never got into the situation that it should question the Mediterranean priority of Venice.

Until the end of the 14<sup>th</sup> century, Venice made its Mediterranean autocracy without doubt. The Venetians occupied Corfu in 1383, which was the key to the exit of the Adriatic sea. Between 1405 and 1427 Venice took under control step by step Terra Ferma, Padova, Brescia and Bergamo, with which Venice built up its territory similarly to other Italian cities. In the same century, Milan occupied Lombardy, and Florence took under control the whole Tuscany. The inner picture of Venice changed in parallel with the conquests. Massive building operations happened in the 15<sup>th</sup> century, that claimed enormous investments because of the loose subsoil.

The city's territory was controlled directly, although Venice in the zone of the Mediterranean Sea did not have an army, instead expanded its power with business and gold and took advantage of the opportunities. As Doge Francesco Foscari mentioned: "Venice is the host of the gold of Christianity", so the leader of the European economy world's. The economy world managed by Venice however included areas outside Europe also. The city's contacts reached Poland and Hungary towards the East, but at the same time the Balkan connection system gradually declined because of the Turkish conquest. On the other hand, the influence of Venice prevailed unbrokenly in Western Europe, similarly to the area of the Mediterranean Sea. The city jealously preserved the trade route leading towards India through the Red Sea. The central zone of the European economy world directed by Venice included Milan, Genoa and Florence apart from Venice. The area of the centre was bordered by the Alps in the North and the Florence-Ancona line in the South. Augsburg, Vienna, Nürnberg, Ulm, Basel, Strassburg, Cologne, Hamburg and Lübeck belonged to the transitional economic area in the North. This arc was closed by the cities of the Low Countries, and two English harbours, London and Southampton. East and West from the central axis of the European economy, the London-Bruges-Venice line, peripheral areas occupied a position.

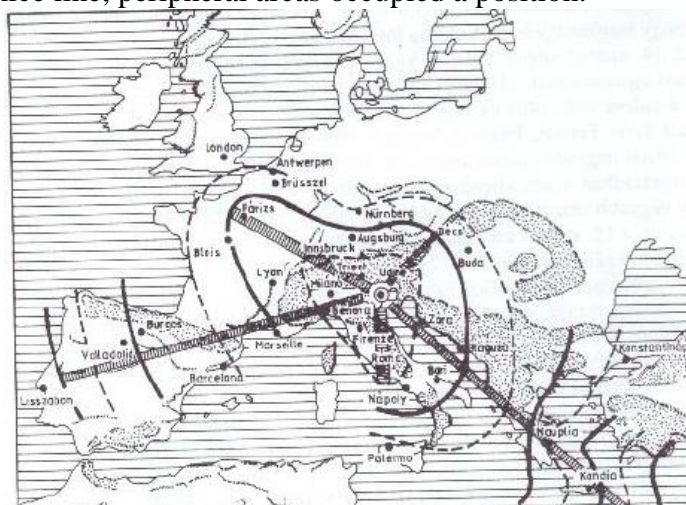


Figure 16. Venice's communicational izocron lines in 1500 (F. Braudel: *Les structures du quotidien: le possible et l'impossible*, Paris 1979, 374 p.)

The accurate distribution of the Eastern commodities on the continent was the central problem of the Venetian commercial system, as well as their transportation through the Mediterranean

Sea and the North Sea. Venice created the network of the “galere da mercato” as the solution of this problem directed by the state. The commercial network's fundamental units were the 100-300 tons large galleys constructed in Arsenal (the largest shipbuilding factory of medieval Europe) from the beginning of the 14<sup>th</sup> century. They were capable of taking away of 50 railway truck freights. The convoys of the Venetian galleys delivered Levant spices and other Eastern products regularly in the framework of the commercial system of “galere da mercato”. These ships were constructed by the Venetian state and private entrepreneurs may have leased them. In the frame of this network, the regular maritime traffic began in 1314 into the direction of the Low Countries; this was the “galere di Fiandra”. The North African branch built upon 1460 was the “galere di trafego”, the most crucial freight of which was gold carried from the Guinean coast through Sudan into The Red Sea's harbours. The maritime trade system based on the galley convoys being in service regularly, reached its peak in the middle of the 15<sup>th</sup> century, and declined gradually in the 16<sup>th</sup> century.

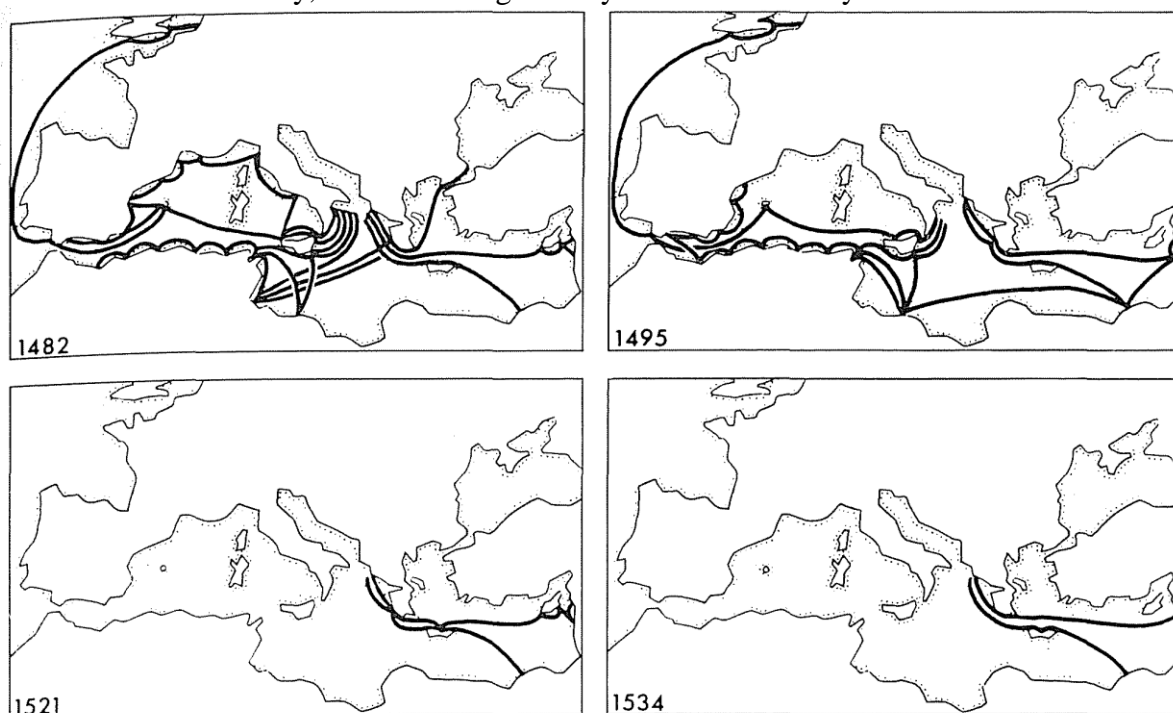


Figure 17. The apex and degradation of the commercial system based on Venetian galleys (F. Braudel: *Les temps du monde*, Paris 1979. 104 p.)

It was an interesting peculiarity of the economic development of Venice, that those commercial-financial techniques that raised Venice to the peak of the European economy world's, were never developed in the city. The banks and the commercial-industrial innovations were developed in the Tuscan towns. Among the European cities, Genoa minted a gold ducat first at the beginning of the 13<sup>th</sup> century. The usage of the cheque and the holding's, the trust company's institution were also developed in another city, in Florence. Florence was not a seaside city, and these financial-commercial innovations were applied mostly in the industry, which was

less profitable than the trade. Genoa organized the regular maritime traffic first through Gibraltar in 1277 to the Low Countries, and the thought of the direct Indian road was brought up in Genoa first, by the Vivaldi siblings in 1291.

As a consequence of the successful adaptations by the end of the 14<sup>th</sup> century, the full apparatus of the commercial capitalism stood for the provision of Venice. The centre of the economic life of Venice could be found at the Rialto bridge, in front of the San Giacometto church, where the money-changers, the brokers and the bankers gathered regularly. The transactions between the merchants was based on the changes in the bills and bills of exchanges. The stock exchange, besides Rialto, defined the exchange rate of the commercial products and marine insurance. All considerable business was made near the bridge and the rules applied here were called Rialto civil law. The economic climate of Venice was specific because the intensive trade was disintegrated into smaller transactions. Long-term investments could be found only at the time of the city's rise and decline. The Venetian commercial companies' greatness did not come close to the large Florentine companies' sizes. The bill of exchange appeared relatively late, at the end of the 13<sup>th</sup> century, and remained part of the short-term credit strategy. The capital moved quickly to Venice, the interest date was rarely over six months or a single year.

Venice reached gigantic sizes despite the adverse natural conditions. The number of its residents exceeded 100,000 in the 15<sup>th</sup> century and moved around 140-160,000 permanently in the Early Modern Times. The large city's decline however was not only the consequence of its own mistakes and weaknesses. Europe's territorial states strengthened again on the eve of the great geographical discoveries.

The danger of the Ottoman Empire however far surpassed all these threats. Initially Venice underestimated the Ottoman risk, the Turkish continental folk, and did not consider it a danger to the commercial realm on the Mediterranean Sea. The occupation of Constantinople in 1453 influenced Venice as a thunderbolt since the Turkish occupied the heart of Levante and made it the capital of the Ottoman Empire. The Genoese tradeport, Caffa fell in 1475 (Feodoszija, Ukraine) on the Crimean Peninsula, then the sultan's troops took under control Syria in 1516 and Egypt in 1517. The trade of Venice got into the depending situation on the Ottoman Empire as a result of the Turkish conquest series. Venice tried to adapt the strategy of "the good peace is good business", which also meant that the cheapest road led through corrupting the Istanbul high officials. At the same time, this commercial cooperation was helped by the fact that the sultan needed the exchange to be continued with Europe. Though in as much the situation forced it, Venice was ready to wage war against the Turkish by mobilizing the continental powers concerned in return for the Ottoman Empire, and the complementary enemy, the Persians. The great geographical discoveries at the end of the 15<sup>th</sup> century redrew the European economy world's horizon definitely. The value of the Atlantic coastal areas were appreciated where Antwerp appeared as the flagship of a harsher commercial capitalism.



## QUESTIONS

### Definitions:

- Which Italian cities were Venice's main rivals?
- What were the reasons for the decline of Venice?

### Short essays:

- How did Venice organize the spice trade?

## BIBLIOGRAPHY

- Ashtor, E.: The Venetian supremacy in Levantine trade. Monopoly or precolonialism?, *Journal of European Economic History*, 3, 1974, pp. 5-53.
- Ferraro, J.M.: *History of the Floating City*. Cambridge 2012.
- Gracomo G.: *Società e stato nel medioevo veneziano (secoli XII-XIV)*, 1967.
- Mac Neil, W.: *Venice, the Hinge of Europe 1081-1797*, London 1974.
- Pullen, B.: *Crisis and Change in the Venetian Economy*, London 1968.

## HEYDAY OF ANTWERP

### THE PROMOTER OF ANTWERP RISE: PORTUGAL

Portugal was the most essential character of the 15<sup>th</sup>-century European discoveries. Reconquering of the territory of the state under the rule of Islam was beginning in 1253. Siege of Ceuta closed the series of the fights in 1415. In the long struggles against the Moorish states an extensive nobiliary layer took shape, which specialized to military and bureaucratic services, and after the termination of reconquest looked for new tasks. A relatively considerable size of Portugal and trade connection with the North African Muslim countries played an essential role in the success of the country in the 15<sup>th</sup> century. Since the 14<sup>th</sup> century, the majority of the Portuguese population was eaten Moroccan grain, on the country's area, the grape and the olive plantations proliferated though, what was the apparent sign of development. Moreover, the most significant part of Portugal was open to the sea, and with the help of "barcas", the 20-30 ton merchant ships, they managed to establish active trade flow from the North African coast to the Canary Islands but they sailed to Ireland and Flanders too.



Figure 18. The most important harbours of Portugal and Southwest Spain (N.J.G. Pounds: *An Historical Geography of Europe (1500-1840)*, Cambridge 1979. 127 p.)

It was an essential milestone of the development of the Portuguese shipping and navigation when in 1413 Henry the

Navigator, son of king John I, founded his naval academy in Sagres, on the Southernmost spot of Portugal, where he surrounded himself with scholars, cartographers and navigators. But the unknown currents and unfriendly cost of the Sahara desert attracted the shipmen very little. The explorer roads made progress relatively slowly, the Portuguese shipmen reached Cape Bojador in 1416, Cape Green in 1445, the neighbourhood of the Equator in 1471, followed by the exploration of the delta of Congo River in 1482. The series of the discoveries accelerated during the ruling years of King John II (1481-1495). He was enthusiastic about the discoveries and was willing to undertake considerable material investments in the interest of this. Finally, Bartholomeo Díaz reached the most Southern part of Africa, Cape of New Hope in 1487 in his king's mission.

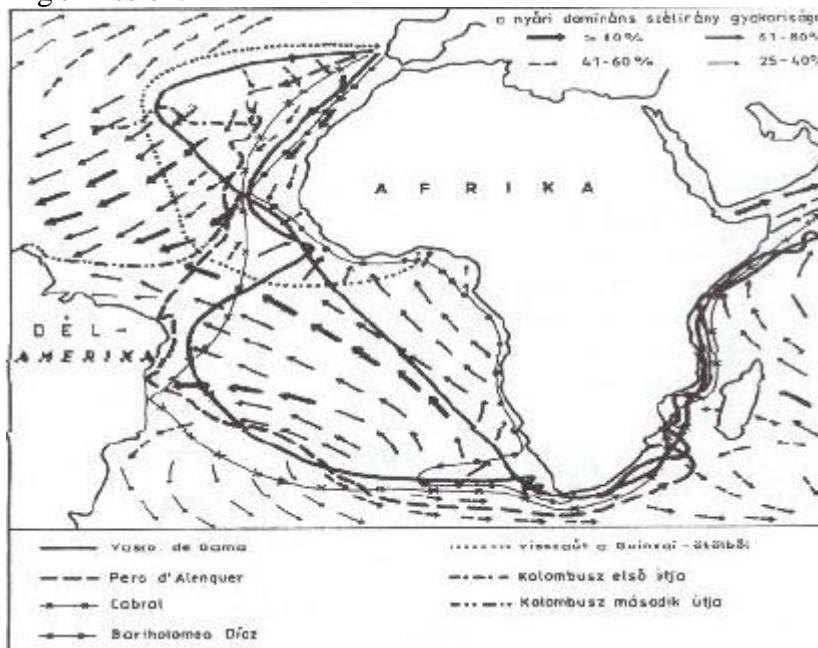


Figure 19. The great geographical discoveries of the 15<sup>th</sup> century and the winds of the Atlantic and Indian Oceans (F. Braudel: *Les structures du quotidien: le possible et l'impossible*, Paris 1979, 358 p.)

The Portuguese merchants followed the explorers soon on the West African coast, three of the most essential commodities of which were ivory, ormolu (13-14 000 ounces a year) and slaves (in the middle of the 15<sup>th</sup> century roughly 1,000 heads yearly). The principal settlement of Portuguese Black Africa, the fortress of Sao Jorge da Mina were built in 1482. All building materials used to its construction was carried from Lisbon. In the late Middle Ages, the slave trade was aimed exclusively at the Portuguese market. It was frequent in wealthy families to have a home servant, and the areas that were depopulated after the reconquest, also needed workers. The sugar-cane plantations of the Madeiras were especially important. Africa and the Atlantic islands were colonised by the Portuguese but the Genoese, Florentine and Low Countries dealers were also engaged in the commercial exploitation.

Given the huge knowledge accumulated by the Portuguese discoveries, it is almost by chance, that the most important geographical discovery of the 15<sup>th</sup> century was connected to the name of a Genoese shipman being in a Spanish service. Columbus offered the plan of the Western



cruise to the Portuguese king first, but John II rejected the plan which had more wrong presuppositions, for example, the underestimation of the longitude of the Equator. Moreover, the advisor of the king promised a safe connection onto the Indias with the bypassing of Africa. The first Portuguese expedition moored in the New World in 1497, following the cruise of Columbus in 1492. But it turned out only in 1498, following the voyage of Vasco da Gama, that Portugal won the fight for the spices of Far East after all. The Venetian galleys did not find one single sack of pepper in 1504 in the harbour of Alexandria.

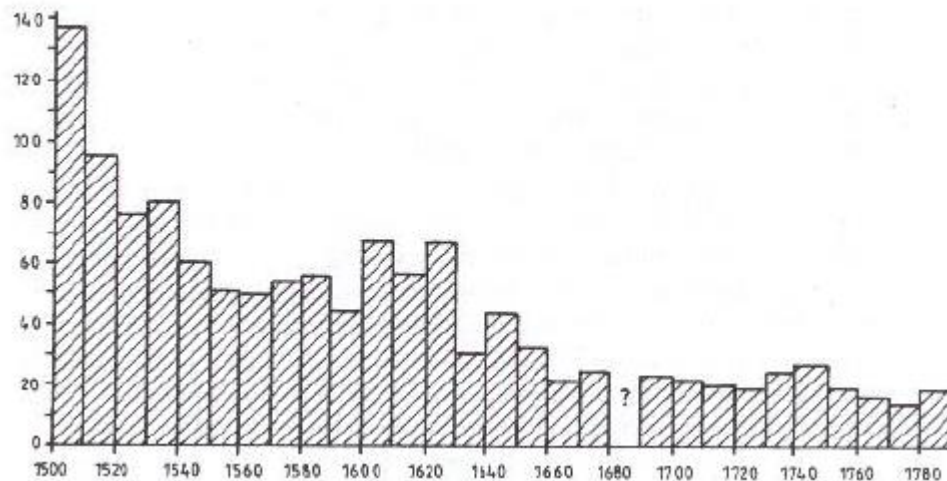


Figure 20. The number of Portuguese ships taking part in the trade flow of East Indies and Europe between 1500 and 1780 (Ch. Wilson-G. Parker (eds.): *An Introduction to the Sources of European Economic History (1500-1800)*, London 1977, 73 p.)

## PORTUGUESE ERA OF ANTWERP

Even though Portugal repelled down Venice from the European economy world's throne, and possessed all essential positions in the trade with the East Indies, Lisbon did not become the European economy world's new centre. The Portuguese stayed on the level of the mediatory economy, and the strengthening North emphasized the European economy world's new centre, Antwerp.

The rise of Antwerp was not a consequence of economic excellence, as a considerable mercantile fleet was not at its disposal. Moreover, the city's leaders got out of some local nobiliary families not trade professionals. Foreign country merchants directed the economic activities of the town since Antwerp did not have dealers with an international scope. However, the whole European merchant society was present in the city, Hanse dealers, English, French, Portuguese, German, Spanish and Italian merchants founded agencies here. As a result of the great geographical discoveries, the balance of the European economy world was disturbed though. In the first half of the 16<sup>th</sup> century, the centre of gravity of the global economy fell on Antwerp,

despite all of the deficiencies of the city. Antwerp's blooming was a series of successful improvisations according to Braudel.

Antwerp inherited Bruges' medieval positions. The Hanse dealers were present in the city, as well as the merchants of the towns of the Low Countries, the English dealers distributing wool and baize, and finally the German dealers mediating the agricultural products of the Rhine valley and the mine treasures. The Portuguese pepper freight arrived unexpectedly first in 1501 into this city. The Portuguese king founded Feitoria de Flandres in 1508 for organizing the continental distribution of the spices, followed by the opening of the local agency of the Casa da India in Antwerp. The Portuguese ruler's choice fell on Antwerp because of two determining factors. The largest customers of the spice freight were in the Central and Northern parts of Europe, and in these directions, Antwerp built up reliable commercial contacts. It proved to be a deciding viewpoint at the same time that Antwerp was the traditional port of the dealers distributing the German silver, and the Portuguese may have obtained the spices in return for precious metal exclusively on the Far East. In the rise of Antwerp, the German dealers, first of all, Imhof, Welser and Fugger families played a determining role.

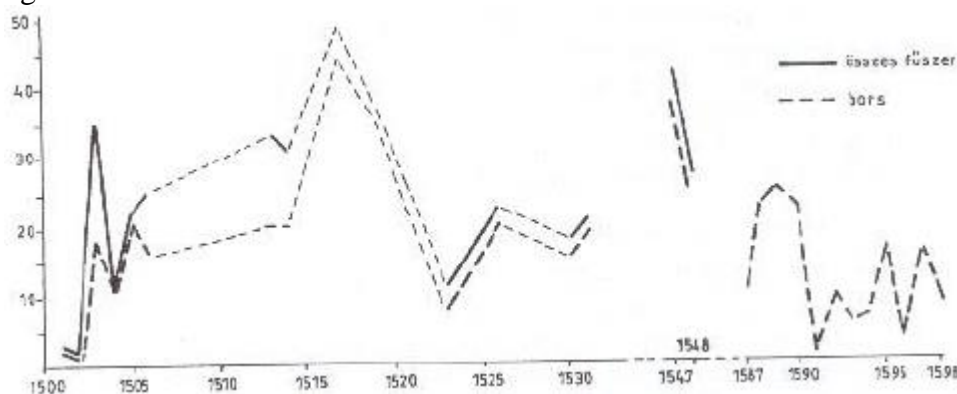


Figure 21. The quantity of the spice freights arriving into Lisbon at the time of the 16<sup>th</sup> century (expressed in a metric centner) (Ch. Wilson-G. Parker (eds.): *An Introduction to the Sources of European Economic History (1500-1800)*, London 1977, 69 p.)

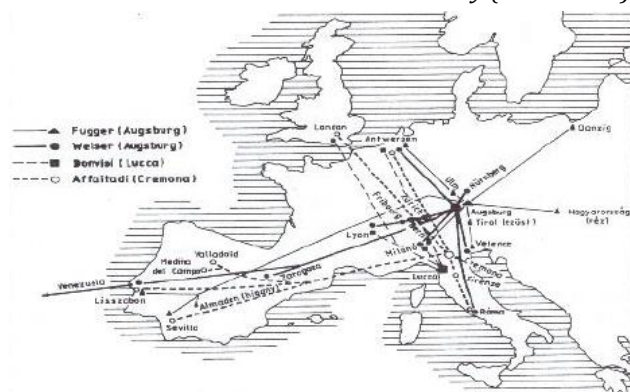


Figure 22. The European network of the big commercial companies of the 16<sup>th</sup> century (P. Léon: *Histoire économique et sociale du monde, Vol. 1, L'Ouverture du monde, XIVe-XVIe siècles*, Paris 1977, 524 p.)

The Italian merchant houses encountered great difficulties in this world and they were being rearranged quickly. The

Frescobaldi bankruptcy in 1518 and the collapse of the Gualterotti business house in 1523 signalled the severe function disturbances of the Mediterranean economy. Though from 1523, sad years were beginning for Antwerp since the war was going on between the Valois and Habsburg Empires and paralysed international trade for a decade. In the 1530s, spice trade of Antwerp was totally built down. However, from the second part of the 1530s, the American silver streamed into Sevilla in an increasingly larger quantity, that closed the German mining prosperity. Responding to the new situation, Venice activated its traditional spice trade routes again in these years, and with the help of Lyon started the continental distribution of Venitian spices.

## SPANISH ERA OF ANTWERP

The silver flowing into Sevilla from the New World increased the political and economic weight of Spain unbelievably. Emperor Charles V, who was the ruler of Spain and the Low Countries simultaneously, stood in tight commercial contact primarily with the Fugger merchant house since his election (1519). Antwerp was the real maritime seat for Fuggers. But the exploration of the New World brought up a series of a problems for Spain at the same time, that it was incapable of solving alone. Spain needed timber for shipbuilding, tar, ships in extremely large quantities, Baltic wheat and rye, baize and linen from the Low Countries, and German ironware, to re-export them to the American colonies. Spain could have bought all these in the same place, in Antwerp. Spain was able to give wine and dried fruit in return for these commodities, but these were not enough to offset the purchase, so the Spanish were obliged to pay with American silver.





Figure 23. The most important trade routes of Antwerp (F. Braudel: *down temps du monde, Paris the 1979.* 119 p.)

The American silver and the Spanish dealers refreshen Antwerp's economic life again, and by the beginning of the century, a Spanish quarter was established in the place of the previous German-Portuguese quarter. The period between 1535 and 1557 was undoubtedly the brightest era of Antwerp. The city's population moved around 44-49,000 in 1500, but by 1568 it exceeded the 100,000 heads. The number of buildings grew from 6,800 to 13,000, accompanied by a proportional infrastructural development as well.

The Spanish bankruptcy broke the second blooming of Antwerp in 1557, which affected the full Spanish sphere of interest practically. It had similar consequences for the financial world directed by the French, when Henry II announced the state bankruptcy in 1558. The financial-commercial system focused on Antwerp was finally disintegrated, while the termination of the "century of Fuggers" closed the century of Antwerp too.

## DECLINE OF ANTWERP

The Peace of Cateau-Cambrésis in 1559 prevented the danger of war permanently between the Valois and Habsburg dynasties and the trade among Spain, France, Italy and the Baltic area were revived responding to this. However, the trade flow of Antwerp never attained the level before the crisis. It hit the economic positions of Antwerp that the English merchants transferred the continental distributor's centre of wool and baize into Hamburg. The Hanse regenerated his Baltic commercial system unexpectedly, which was a reaction to the weakening of the Low Countries.

In this situation, the commercial capital accumulated in Antwerp were moved to industrial investments, since it did not find enough profitable commercial transactions or credit opportunities. The baize industry of the Low Countries was strengthened as a consequence of the enormous investments. But the Dutch insurrection ended the city's second industrial efflorescence soon though. Antwerp did not suffer a total breakdown under the weight of the blows, it remained an important industrial centre and a financial centre financing the Spanish politics for a long time. Still, the Spanish silver and the centre of the system of the bills was finally shifted into Genoa.

Antwerp's blooming lasted until a relatively short time, the city was the essential and most original link of the history of the commercial capitalism though. Differently from Bruges, Antwerp did not have a real bank organization, so the debts and the credits were not registered. But the cash was not enough for commercial transactions. Therefore the merchants applied a bill of exchange, which served as fictitious silver. Commercial techniques were developed to avoid the loans and the credits like the "clearing", which was named as the "resconte" in Italy. The technique of the clearing functioned as the dealers in a business relationship compared their business books with each other generally quarterly, and the appearing difference in values was equalized with cash payment only. The most important innovation of Antwerp



was, that it created an efficient commercial system working quickly and efficiently, outside of the world of the bills and the banks.

## QUESTIONS

### Definitions:

- What was the significance of Henry the Navigator's activity for geographical discoveries?
- What were the most important commodities of European-African trade?
- What role did German merchant houses play in the uprising of Antwerp?
- What were the reasons for the decline of Antwerp?

### Short essays:

- How has Antwerp become the leading city of the world economy?

## BIBLIOGRAPHY

Magalheas-Codinho, V.: L'Économie de l'Empire portugais aux XVe et XVIe siècles, Paris 1969.

Stuijvenberg, J.H. van (ed.): Interactions of Amsterdam and Antwerp with the Baltic Region, 1400-1800, Leiden 1983.

Van der Wee, H.: The Growth of the Antwerp Market and the European Economy (14th-16th centuries), The Hague 1963.

Chaunu, H.-Chaunu, P.: Séville et l'Atlantique, 1504-1650, 8 vols., Paris 1955-60.

Winter, A.: Migrants and Urban Change. London 2009.

## CENTURY OF GENOA

After Antwerp and the Fuggers century, the economic history keeps in mind the next seventy years between 1557 and 1627, as the century of Genoa. Genoa in this period, though in a less striking manner, turned into a leading centre of the European economy world through its merchants and bankers.

Genoa is built in a little and indefensible bay of the Tyrrhenian Sea. Barren mountains surrounded the city from the North. The relief conditions made Genoa indefensible following the appearance of the cannons and artillery, so the city let the conquerors across mostly without resistance. The city was vulnerable from the sea too because of the large and open harbour, as Genoa did not have a Mare Nostrum, neither lagoons like the Venice Adriatic, which can be defended well though. Genoa's innate weakness handed over and related the city to the exterior contacts simultaneously.

Genoa's population moved around 60-80,000 heads between the 14<sup>th</sup> and 16<sup>th</sup> centuries. The territory's and the colonies' population reached half a million together. The supply of this enormous population demanded continuous commercial acrobatic stunts. Genoa was capable of solving the task, because it settled down in the central zone of the medieval European economy world and even was in fierce competition for its management in the 14<sup>th</sup> century. Proving the high economic status, Genoese were the first to mint gold ducats in Europe and the city's diplomats and merchants helped the Palailogos dynasty to return to the throne of the Byzantine Empire in 1261. In 1283, the Genoese colonised Sicily which was a strategic island of the Mediterranean Sea, as a naval base, and in terms of the wheat exports. In the course of the 13<sup>th</sup> and 14<sup>th</sup> centuries, Genoese expansion had two main directions: the Low Countries (regular maritime connection from 1277) and the Black Sea and its neighbourhood. The city was moving away from the Levant trade continually in the 15<sup>th</sup> century, sealed definitively by the capitulation of Caffa (Feodoszija, Ukraine) in 1475. Genoa's interest turned towards the West as a result of the Eastern failures; the Genoese created commercial agencies in North Africa, Sevilla, Lisbon and Antwerp searching for new opportunities.

Emperor Charles V, who was the Augsburg Fugger debtor, primarily picked up credits from Genoese bankers from 1528. Following the collapse of German bank houses in 1557, Emperor Philip II offered the Genoese bankers' the controll over the government's money circulation, who accepted this, and Genoa's century may have begun so. The emperor sold a national income for the Genoese bankers adequately to the habits of the age, from the taxes on the import of the American silver. The American silver freights arrived already from 1570 directly into the Genoa harbour. But the Genoese organized not only the legal precious metal import, but they also had interests in the contraband. The most famous customer of Spanish silver was the Portuguese, in charge of the the Far-Eastern spice import, and the Italian cities, primarily Venice and Florence, having interests in Levant trade,.

It was the most significant strength of the Genoese financial system that it sped up and multiplied the traffic of silver, gold and the bills of exchange. The capital movements of the commercial operations



between Spain and Spanish-America crossed Genoa, as a result of which the city's yearly profit duly moved around 10-30 %. The primary source of the richness of Genoa, were not merely gold or silver, but primarily the ability of credit mobilisation. Genoa was blooming first of all on the American successes based by Spain. The Genoese started to build up the commercial system connecting the two Atlantic coasts. They created bank houses in Madrid, worked as the king advisers, got married to the Spanish elite, and an important role was played in court life. The Genoese elite directing a hemispheric financial-commercial system, was a very narrow circle, altogether consisted of 25-30 men, who were of course surrounded by a large staff. The Genoese state merchants settled down in Spain and created a mostly enduring commercial system. The Spanish trade on the Genoese foundations rivalled with the colonial trade of England and the Netherlands in the 18<sup>th</sup> century.

It always requires extraordinary efforts, if an external world is directed from a distant city, and the success is mostly provisional. The performance of Genoa in the 16<sup>th</sup> century reminds us largely of the symbiosis of Venice and the Byzantine Empire, and the way Dutch merchants directed the French economy in the 17<sup>th</sup> century. Genoa was able to dominate the Spanish commercial system through 60 years, but the state bankruptcy of 1627 buried Genoa under itself. After this breakdown, the Genoese bankers aimed for seceding from the declining Spanish economy, however participated in the financing of the Spanish governmental activity, though in a more reserved manner.

The withdrawal of the Genoese was not totally voluntary; however, since they were at war through decades with the Dutchman and the English merchants for the skimming of the profit of the commercial system of Spain and Spanish-America. In the Peace treaty of 1630, the English negotiator insisted that the Spanish-American silver to be transported into the Netherlands let to be delivered by English ships, and one-third of this silver should be minted into ducats in London between 1630 and 1643. From 1648 the Dutchmen got wedged in the Spanish-American commercial system though. The profit originating from the transport of the silver, and the prevailing economic interest proved to be stronger than the Protestant-Catholic conflict.

Compared with the legal transactions, the Genoese marched out less from the contraband of the American silver, which paradoxically proved to be a safer business. Genoa continued to make use of the industrial advantages originating from its Spanish contact. The development of the city industry in the course of the 17<sup>th</sup> and 18<sup>th</sup> centuries were defined primarily by the export claims of Cádiz and Sevilla. The considerable part of the transported fabrics to Spanish-America was originated from Genoa. The city manufactured paper for a transport to India, where they used of for the making of cigarettes.

The Genoese bankers looked for new debtors following the 1627 collapse of the Spanish financial system. The Genoese capital appeared in France between 1661 and 1673. The Genoese investments in the 18<sup>th</sup> century attained Austria, Bavaria, Sweden and Austrian-Lombardy. Genoa loaned alone 450'000 golden florins to Maria Theresa in 1743, at the time of the Austrian inheritance war. It was the peculiarity of the Genoese bank life that it did not make an investment in England, as opposed to the Dutchmen and the Geneva. On the eve of revolution, conversely France was one of the first debtors for Genoa, with the outstanding 35 million lyres (1 lyre=0,328 gr. gold) debt.

Genoa's recurrence experiments proved to be fruitless, the city finally lost the ability of the European economy world management. The crisis of the 17<sup>th</sup> century finally swept away the sophisticated Genoese financial system. Europe's economic centre of gravity was transferred to the North definitively, where a new city appeared with directing aims, Amsterdam, primarily based on its trading positions.

## QUESTIONS

### Definitions:

- Why did Genoa lose the fight against Venice for the monopoly of the spice trade?
- Why was Genoa militarily defenceless?

### Short essays:

- What were the peculiarities of the Genoa era?

## BIBLIOGRAPHY

Heers, J.: Genes au XVe siècle, Paris 1961.

Doehard, R.: Les Relations commerciales entre Genes, la Belgique et l'Outremont, Paris 1941.

Pike, R.: Enterprise and Adventure: The Genoese in Seville and the Opening of the New World, New York 1972.

Raggio, O.: Feuds and State Formation, 1550–1700: The Backcountry of the Republic of Genoa. London 2018.

# THE LAST DIRECTING CITY: AMSTERDAM

## THE INNER ENERGIES OF THE GROWTH

The victory of the European North naturally was not a result of one single moment only, but summing up of the effects of the progressive eras. Shipmen of Holland and Zeland placed the Baltic trade under control gradually after 1540. The prosperous dealer city-states of the Mediterranean Sea employed mostly Northern shipmen already in the 1590s. The linen, baize and other industrial products of Northwestern Europe inundated the markets of the Mediterranean areas. Though behind the pressing back of the South, we can find Amsterdam, which differently from Antwerp, was not connected so closely to the Mediterranean Basin.

### The physical geography and agriculture of the Low Countries

*"The United Provinces - wrote Louis XIV's ambassador in 1699 -, is a tiny country, the seacoast occupies its barren dunes where they often suffer severe inundations, the area is suitable exclusively for shepherding, which is the one single agricultural revenue source of the country. "*

Defoe did not exaggerate when he wrote that the grain which was produced in the country, is enough for the supply of the local poultry. Regarding natural condition, the United Provinces is a poor and infertile country. Moreover, from the end of October, water starts to cover everything because of the constant rainfalls and the stormy seaward winds and sea burglaries as a result of them. In wintertime, the country turns into an area as if it would be part of the sea. The precipitation that fell down disappears in the late spring only due to the sunshine and the mills.

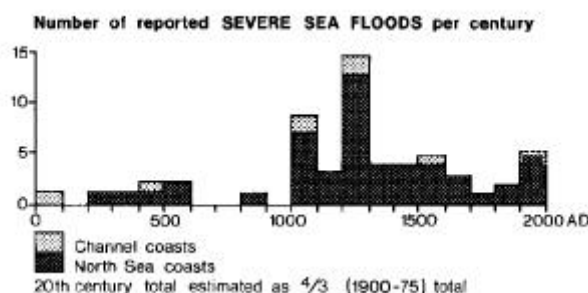


Figure 24. The considerable sea burglaries in the coast of the North Sea and the channel. (H.H. Lamb: Climate, History and the Modern World, London 1982. 183 p.).



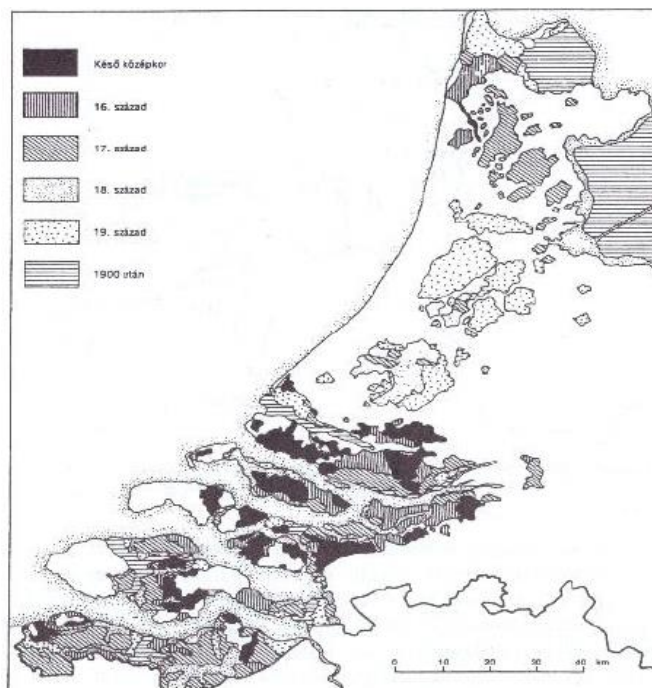


Figure 25. Winning the mainland over from the sea from the Middle Ages until the 20<sup>th</sup> century in the Netherlands (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 283 p.)

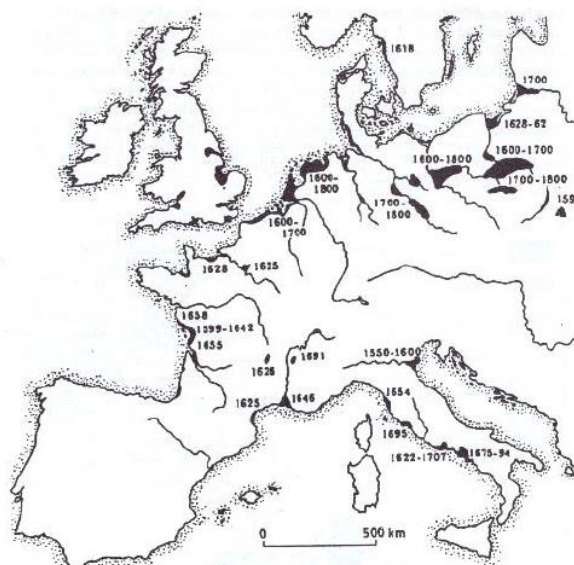


Figure 26. The winning of the sea and river ravaged areas in Europe in the Early Modern Times (N.J.G. Pounds: *An Historical Geography of Europe* (1500-1840), Cambridge 1979. 198 p.)

Despite all difficulty though, agricultural production was carried out in the area of Netherlands. There were villages and farms, feudal and free peasant communities. The intensive farming

forms, like dairy farming and the garden cultures developed primarily because of the shortage of the area. Scholars dealt with the efficient order of the alternation of agricultural plants, and use of manure. This scientific agrarian development can be observed since the 1570s, and it played a considerable role in the rise of the United Provinces.

Strongly urbanized areas of the Netherlands were originally made open so that the elementary foods could always be imported. The local agriculture turned towards the most intensive cultures, which insured the most considerable profit also. Flax, hemp, rape, hop, and paint plants like woad (pastel) and painter madder (garance) were the essential industrial crops of the Netherlands's agriculture. It is indicative of the significance of the growth of the painter grasses that the price of the painted baize was a double of the cost of the grey baize. Due to the strong industrial specialisation, peasants in the Netherlands obtained the elementary foods from the market also. Thank to the high industrialised level of the rural areas, the payments in the rural areas did not lag behind the urban prices.

### Cities of the United Provinces

Compared with Europe's other regions, the late medieval and early modern Netherlands was an extremely urbanized area, with the highest population density on the continent.



Figure 27. Europe's cities in the first half of the 16<sup>th</sup> century (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 222 p.)

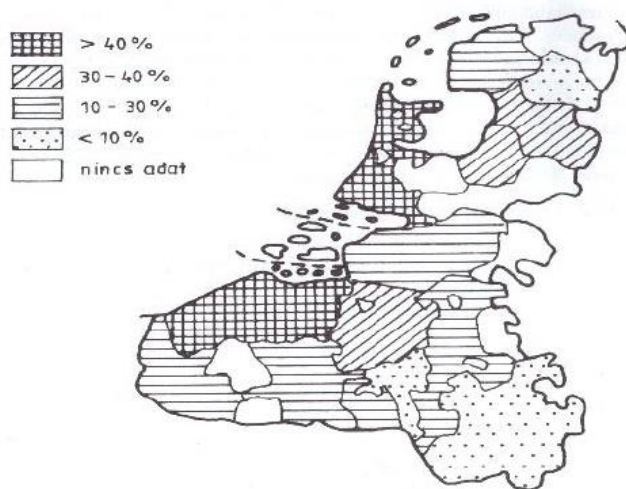


Figure 28. The proportion of the urban population in the Netherlands around 1500. The urban population's ratio was the highest 40 % in two provinces: in Flanders and Holland (F. Braudel: *Les temps du monde*, Paris 1979. 149 p.).

The United Provinces came into existence as a result of the union of seven dwarf states (Holland, Zeeland, Utrecht, Geldern, Overijssel, Friesland and Groningen) after the independence war (1568-1648). But each province was member of a city network in which all cities lived their life in an autonomous manner, imposed and took the taxes independently, ran their own legal system, and shielded their legal and financial isolation. This unlikely decentralisation of these provinces provided considerable individual freedom at the same time for the states and the cities. But in case of an emergency, these small states were able to put aside continuous competing, and when there was a need for collective action, they were able to create a strong unit.

Cities of the United Provinces shared the economic tasks among each other and formed a hierarchical urban pyramid, on the peak of which was Amsterdam, the strongest one, the directing city. Amsterdam's rise began with the 1282 tsunami, which broke through the dikes, and made the Zuider Zee. A big merchant ship was able to cross the Zuider Zee and came close to Amsterdam, which was only a village of fishermen in the 13<sup>th</sup> century. But in the late Middle Ages, large merchant ships visited Amsterdam's harbour from Lübeck, London, Venice and Ragusa (Dubrovnik, Croatia). Due to the growing traffic and trade, Amsterdam turned into the universal market of the European economy. The city population reached the 50,000 souls around 1600, and exceeded the 200,000 heads by the end of the 17<sup>th</sup> century. However, Amsterdam could not have a bright career without the support of the surrounding areas. Amsterdam was the European economy world's heart, but not only Holland was connected to it, but all of the provinces except the archaic Geldern and Overijssel.

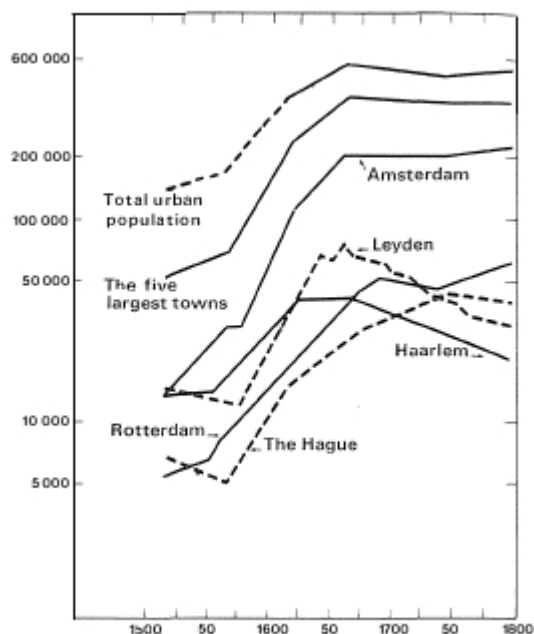


Figure 29. The growth of the urban population's number in the United Provinces in the Early Modern Times (F. Braudel: *Les temps du monde*, Paris 1979. 155 p.)

In the European economy world's inner zone, around Amsterdam, economic tasks were proportionally divided among the cities of the United Provinces. The textile industry prospered primarily in the cities of Leiden, Haarlem and Delft, while the most important centres of the shipbuilding were Brielle and Rotterdam. Dordrecht was the distributor's station for the trade of the Rhine country. Enkhuizen and Rotterdam controlled the fishery of the North Sea. Rotterdam was the second most vital city of the United Provinces and were the most important harbours of the French and English trade. The Hague was the political capital, the function of which reminds us of the presidential role Washington played in the history of the United States. The bank system built up conformed to the fields of economic life. Firstly, the Amsterdam Bank was founded in 1609, followed by the Middelburg (1616), the Delft (1621) and the Rotterdam banks (1635) soon.

### The population of the United Provinces

The population of the United Provinces reached one million people around 1500, and two million by 1650. Moreover, half of the population were city dwellers. This unprecedented increase of population was not possible solely by the local population's growth, but with the masses of immigrants, who were attracted partly by the dynamically developing economy and partly by the typical tolerance of the commercial-economic centre. Three refugee waves influenced the development of the Dutch commercial capitalism in a deciding manner: the appearance of the Jewish dealers from the Iberian Peninsula, the escape of the citizens from Antwerp, and the admission of the French Huguenots.

The immigration of the Sephardic Jews from the Iberian Peninsula had a salutary effect on the forming of the Netherlands' commercial capitalism at the turn of the 15<sup>th</sup> and 16<sup>th</sup> centuries. The Jewish dealers were chased out of their homes and introduced the more advanced commercial and stock exchange techniques of the Mediterranean world. All of them proved to be a useful adviser by the time of the Mediterranean trade penetration, and in the course of infiltrating into the commercial system of Spanish-America. It is not by chance, that the 17<sup>th</sup> century English lampoons accused the Dutchmen often, that the Jewish dealers opened the world trade for them. The wanderings of Jewish dealers was the most sensitive indicator of the European economy world's transformation. Conforming to the changes in economic forces, the Jewish dealers started to move on from Amsterdam to England in the 1650s and it was accelerated by the accession to the throne by William of Orange in 1688 (1689-1702).

The Jewish dealers' immigration did not have a slighter effect on the development of Amsterdam's commercial capitalism as the appearance of the Antwerp's refugees. Following a memorable siege of 1585, Antwerp capitulated before August Alexander Farnese, general of Philip II. The Spanish strategist set mild conditions for quick capitulation; the wealthy citizens of Antwerp could either stay or leave the city together with their goods. Many dealers chose the Netherlandish emigration, where they were received with open arms. The refugees of Antwerp brought their money, their expertise and their commercial contacts, which determined significantly Amsterdam's fast rise. Former Antwerp dealer, Jacques de la Faille, did not exaggerate, when he wrote in 1599: Antwerp practically moved into Amsterdam. It is indicative of the refugees' economic weight that they put down half of the capital stock of the Amsterdam Bank founded in 1609.





Figure 30. Amsterdam (1578-1606) and Leiden (1575-1619) the most essential migration sources at the turn of the 16<sup>th</sup> and 17<sup>th</sup> centuries. (C.M. Cippola: *The Fontana Economic History of Europe. Vol. 2, The Sixteenth and Seventeenth Centuries.* London 1974, 63 p.).

At the end of the 17<sup>th</sup> century, following the withdrawal of the Edict of Nantes, the refugee wave of the French Huguenottes provided new impetus to the development of the Dutch industry. The immigrant French craftsmen strengthened primarily the Leiden and Haarlem textile industry centres.



Figure 31. The system of the periodical wanderings in Western Europe during the 18<sup>th</sup> century. (L.P. Moch: *Moving Europeans. Migration in Western Europe since 1650.* Bloomington 1992. 77 p.).

The slightly qualified works were carried out by seasonal workers or immigrants arriving mostly from German areas. There was a general opinion in the 17<sup>th</sup> century, emphasizing that whoever gets into the Netherlands and works may not die of hunger. The German areas served as an almost unfailing labour force reserve for the United Provinces, from where workers arrived in renewable waves for the army and the fleet too.

## The Dutch fleet

Diderot named the United Provinces the Egypt of Europe, and the country as the gift of the Rhine and Maas. The natural element of the Dutch folk is rather the sea and the water, than the mainland. According to an English pamphlet, the North Sea is the Dutch sailors', helmsmen's and rebels' academy.

The population of Holland and Zeeland lived on the fishery since the earliest times. This national piscatorial industry can be divided into four independent sections in the Early Modern Times. The anglers' first group worked on the waters close to the seacoast; their plunder consisted mainly of small-sized fish. The half of the United Provinces fishing fleet, some 1500 ships dealt with herring fishery, primarily near the Dogger bench and the English coasts. The 12,000 Dutch herring fishers fished some 50-150,000 tons of fish annually. The distributed salted herring was called Netherlands's gold in the 17<sup>th</sup> century; Dutch historians named the era the century of the herring. The third branch of the Dutch piscatorial industry was the fishery of the cod, which they continued on the waters around Iceland and in the neighbourhood of the Dogger bench. Finally, the whale hunting was the real large-scale industry of the United Provinces' fishery. The Dutch and the rival Basque whalers forced massive whale massacres in the course of the 17<sup>th</sup> and 18<sup>th</sup> centuries on the North Sea. In 1701, which were one of the Dutch fishing fleet's most successful years, 207 whalers took the road from the United Provinces, and in that year 2,071 whales were hunted down. The significance of the North Sea fishery is shown by the fact that the English Navy Law (1651) was published primarily against the Dutchmen mainly dealing with fishery.

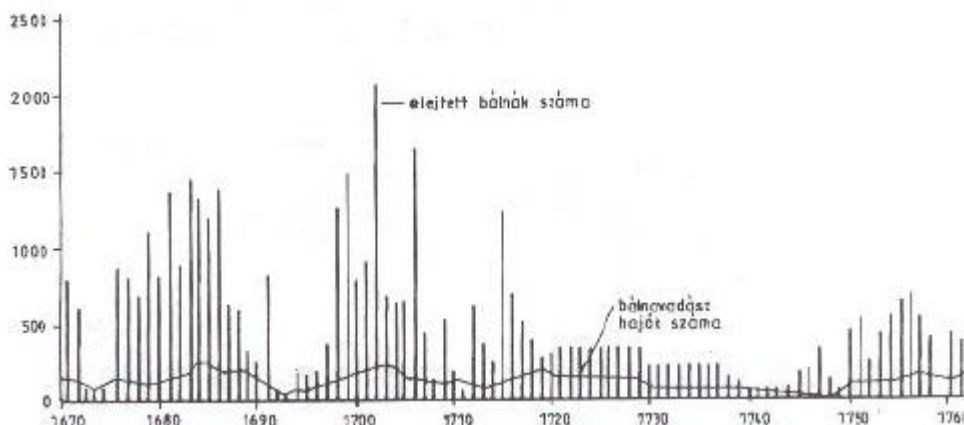


Figure 32. The establishment of the Dutch whaler fleet's plunder between 1670 and 1760 (Rich, E.E.-Wilson, C.H. (eds.): *The Cambridge Economic History of Europe, volume V, The Economic Organization of Early Modern Europe*, London 1977, pp. 169-170.)

The fleet was the most important device of the Dutch greatness; the

contemporaries estimated the number of the ships at once around 6,000 in the hey-day. In the first half of the 17<sup>th</sup> century, all of the big European fleets were equal in the number of ships (the English, Spanish, Portuguese and French fleet). From 1570, the Dutch workshops started to build the “Vlieboot”, that was the best merchant ship of the Early Modern Times. It was the best quality together with the huge quantity. The Dutchman contributed to the success of shipbuilding on a large scale, monopolized the distribution of the Baltic raw materials for shipbuilding (timber, mast, tar and pitch). The highly qualified Dutch masters built the ships from the Baltic freights. Particularly Saardan workshops became remarkable near Amsterdam. It is indicative of the international authority of the Dutch shipbuilding that Venice and Spain were its big customers in the 17<sup>th</sup> century.

The low level of the operating expenses was the other secret of the Dutch fleet's successes. The expenses of maritime trade decreased because fast Dutch ships that could be easily driven, demanded smaller staff than other European merchant ships. The Dutch shipowners implemented additional savings regarding the crew's payment and catering. The average monthly income of French sailors moved around 12-20 livre, while the Dutch sailors never received more than 10-12 livre. Four dinings were offered on French ships, while Dutch ships provided only two, or maximum three meals per day.

Amsterdam became Europe's first market in the first half of the 17<sup>th</sup> century by controlling maritime trade and management. If somebody shipwrecked near the coasts of the United Provinces, he could buy a new ship and crew within days. The crew of the ships did not consist exclusively of Dutchmen. By the end of the 17<sup>th</sup> century, roughly 3000 Scots and English sailors, and a similar number of French sailors served on Dutch merchant ships. It was not by chance that Colbert tried to call home the French sailors serving in the Netherlands for his fleet building program.

## Political relations of the United Provinces

The Dutch development happened without the state's substantive participation, according to Pierre Jeannin's opinion. The contemporaries did not have a different opinion about it either, as Turgot wrote: the Netherlands's, Genoa's and Venice's governments were weak and poor, but their citizens opulent. Doubtless, that the political institutions of the United Provinces were very archaic, and reflecting traditions coming from the time of the Early Modern Times. Two of the central elements of the political-institutional system were the state council (Raad is Staat) and the federal government. Both organisations had its center in the Hague where the provinces supported a constant representation. Decisions of these central political institutions were not independent. They had to make the provinces approve them one by one, and only those decision approved by all provinces may have become effective inside the borders of the United Provinces. Interests of the seaside and the continental provinces were different which weakened the efficiency of the government authorities' function.

The institution of the “stathouderat” (governor) was used for the alleviation of the government authorities' function difficulties. The person of the “stathouder”, the governor, is appointed from the Prince Orange princely family. He is the continental military force's commander-in-chief hereditarily, and the republic's admiral and the state council's president in one person. The “stathouder” continuously experimented with the fact that this

institution should be changed according to a monarchical pattern, but this endeavour was always confronted successively with the republican citizens' resistance. In the Early Modern Times, the two poles of the political field of the United Provinces were the semi-monarchical institution of the "stathouder" and the political-economic power of the republican and Calvinist merchants of Amsterdam.

Netherlands's defensive ability is based on the fleet, of which the leadership of the United Provinces made use primarily for the support of the international maritime trade. The United Provinces, then the economic centres generally, tried to stay outside of the wartime fights. The leaders of the republic strengthened the borders with fortifications and aquatic obstacles. The fortification works directed by the scholars transformed the Netherlands almost into an island. The army and the fleet of the United Provinces took part in fights if their interests required it. At the end of the thirty-years war, in 1645, the full Dutch battle fleet marched on the Baltic Sea, ending the Danish-Swedish war offending the commercial interests of the United Provinces.

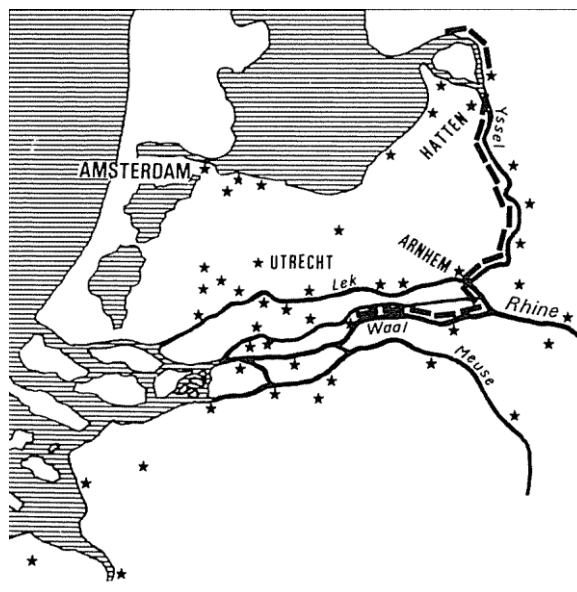


Figure 33. The fortification works transformed the area of the United Provinces almost into an island. (F. Braudel: *Les temps du monde*, Paris 1979. 170 p.).

The nobility lost its social isolation in the course of the long war of independence and became part of the middle-class quickly. In the hey-day of the Netherlands, the country's governing elite got out of the circle of the citizenry being in business. This governing bourgeoisie counted 8-10,000 heads, represented in the leadership of the provinces and the cities, in the East-Indian company, and the federal government and the state council equally. The Dutch high bourgeoisie was free from all kinds of pride or boasting with its property in the gold century's time. Though by the 18<sup>th</sup> century, the bourgeoisie of the United Provinces got extremely rich, that ruined the ascetic lifestyle of the 17<sup>th</sup> century. Isaac de Pinto wrote that in 1771, that in the 17<sup>th</sup> century a big garden and a country house were not at the disposal of even Amsterdam's councillors, but today even their agents have these. The luxury is most inadequate for the trade though.



Instead, the Dutch businessmen continually turned away from commercial transactions in the 18<sup>th</sup> century, and the centre of gravity of their activity were transferred to the credit. The Dutch fiscal system, not surprisingly, was motivated to invest in savings. The linear taxative system became degressive in practice since in case of the fixed sum payments, there was no chance to conceal the income, but it was rather easier to do so when computing the profit in commercial transactions. Obtaining a tax exemption in return for services done for the state was possible, although these privileges could not be passed on. The Dutch taxation system declared the little soldiers' principle that is using various different taxes. The indirect taxes, the consumer and the commercial taxes hit likewise primarily the common men. The wealthy citizens tried to back out of the taxation; but conversely they gave credit with pleasure to the government. The annual income of the budget was around 120 million golden florins while its debt exceeded 400 million in 1764. The treasury was mostly empty, but in case of need the government may have access to multiple financial sources; and there was enough cases to declare an emergency situation in the 17<sup>th</sup> century, partly because of the wars, partly because it was necessary to reconstruct this artificial country again and again in every year.

## THE DEVELOPMENT OF THE DUTCH MERCHANT EMPIRE

The commercial empire of the United Provinces did not come into existence as a national performance differing from the Spanish or the Portuguese. The Dutch expansion consisted of individual undertakings' series, the most influential leader of which was a share company, the Dutch East-Indian company.

### Getting hold of the Baltic trade

The Baltic area played the role like “America” at the time of the late Middle Ages for the economy of the Netherlands. From the 15<sup>th</sup> century, Holland and Zeeland shipmen fished and traded as the Hanse's competitors in the Baltic Sea. In 1544, due to the intervention of Emperor Charles V (who was born in the Low Countries and his mother tongue was Flemish) the ships of the Low Countries got free passage across the Öre Sund from the Danish king. Amsterdam became the most important distributor's centre of the Baltic grain by 1560, thank to the diplomatic benefits obtained against the Hanse, and Dutch merchants and shipmen organised 70% of Baltic trade already.

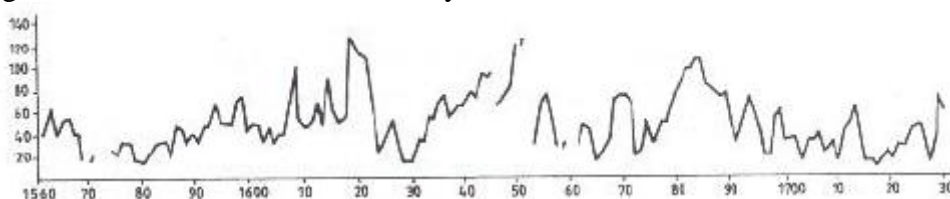


Figure 34. The number of the grain supplier ships crossing the Öre Sund between 1560 and 1730 (P. Léon: *Les hésitations but la croissance, 1580-1740, Paris 1978, 92 p.*)

The claims of the Iberian Peninsula, Spain and Portugal played a determining role in the 16<sup>th</sup> century blooming of the

Baltic trade. The Baltic grain was one of the essential commodities of international maritime trade. By the turning of the 16<sup>th</sup>-17<sup>th</sup> centuries already more than 800 Dutch ships dealt with its transport annually. The Southern redistribution of the Baltic grain was the basis of the economic success of the United Provinces in the second part of the 16<sup>th</sup> century. When they conquered the Baltic cereal trade, they also occupied the markets of Laredo, Santander, Bilbao, Lisbon and Sevilla too. As a financial consequence of the established commercial connection system, the Stock Exchange of Amsterdam was opened in 1590-92 and the Society of Maritime Insurance of Amsterdam was founded in 1598.

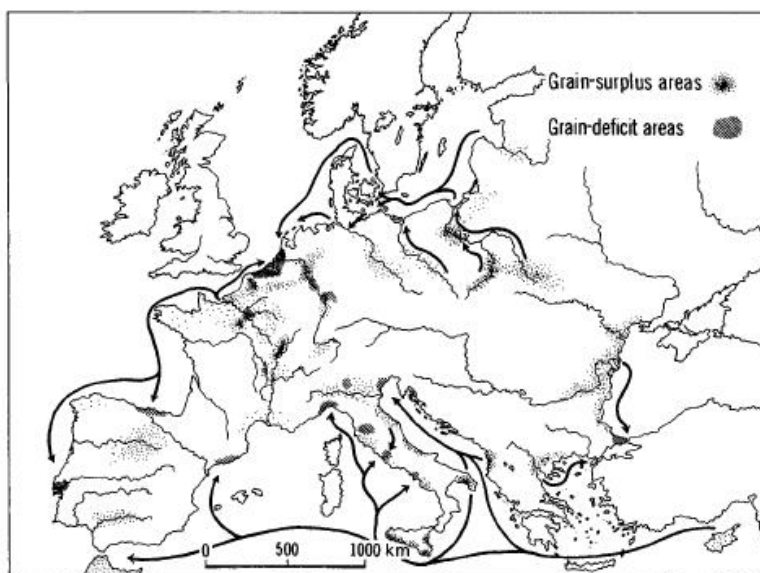


Figure 35. Areas of grain deficiency and grain surplus in Europe, and the routes of the cereal trade at the time of the 16<sup>th</sup> century (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 246 p.)

The North-South commercial contact was vigorous even at the time of the Netherlands' insurrection (1572-1609). In 1595, Emperor Philip II had reserved some 400 Dutch ships staying in the Spanish harbours, and tried this again in 1596 and 1598. Still, the emperor was not able to break the United Provinces with these sanctions but hit the Spanish crown's countries first. Additional ship reservations were prevented though, because the Spanish agriculture became totally disorganized from the 1560s, and as a result, the Baltic grain freights were vital for feeding the population of the Iberian Peninsula. Philip II had to make a choice: either taking steps against the rebels, who in fact run the Baltic commercial system, making all of them losing the import opportunities, and one million ducats annual customs income with this, or undertaking the forced economic cooperation. Since Spain was in an economically exposed situation in the second part of the 16<sup>th</sup> century, the flowing of the Spanish-American silver to Amsterdam may not have been perturbed by the continuous war between Spain and the Netherlands.

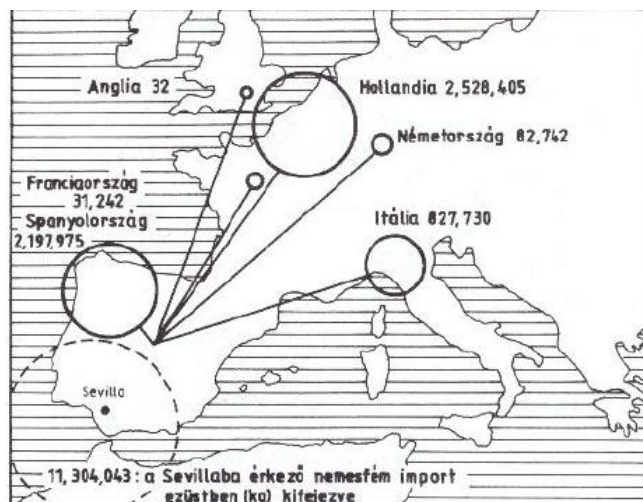


Figure 36. The distribution of Spanish silver freights which equalize the foreign trade balance gap between Europe's different countries (in a kg) between 1580-1626 (Rich, E.E.-Wilson, C.H. (eds.): *The Cambridge Economic History of Europe, Volume IV, The Economy of expanding Europe in the sixteenth and seventeenth centuries*, Cambridge 1967, 467 p.)

## The Far East and VOC

The Far East was the most crucial target of the 16<sup>th</sup>-century long-distance maritime trade, and the Portuguese placed its business under control at the turn of the 15<sup>th</sup> and 16<sup>th</sup> centuries. In order to obtain positions in the Far East, Dutchmen had to get through the Portugueses' defensive system consisting of military-commercial settlements, and they had to reveal the African route kept secret carefully. Jan Van Linschotten and Cornelius Houtman proved to be the most successful among the Dutch spies. Both spies got revealed in the course of a maritime road but Portuguese did not execute them which proved to be a fatal error. A Rotterdam merchant ransomed the spies being in Portugal prisons in 1594. In the next year, on 2<sup>nd</sup> April, three Dutch ships started with Cornelius Houtman's leadership with the plan of the exploration of the spice route.

Two possible courses were offered for the little Dutch fleet after crossing through the Cape of Good Hope. The inner road along Northward by the coasts of Mozambique. The continuous monsoon blowing was the most crucial benefit of this route, but a severe disadvantage was the rigorous Portuguese control. The exterior road drove along the East coasts of Madagascar, through the Sunda pass to Javanese Bantam. This outer road turned into the main street of the Dutch Far-Eastern trade following Cornelius's Houtman travel. The expedition guided by Cornelius Houtman yielded minimal commercial profit, though the contemporaries agreed that the revealed route offers unpredictable commercial opportunities.

The Dutch expeditions financed by entrepreneurs were repeated annually and built up the trade route gradually driving towards the Indonesian archipelago, as a result of which the trip in 1599 already yielded a 400% profit. Assessing the commercial opportunities, the Dutch East-Indian Company (Vereenigde Oost-Indische Compagnie-VOC) was formed on 20<sup>th</sup> March 1602 with the federal government's participation, and this share company was the real leader of the Far-



Eastern Dutch expansion. The company was a state in the state; the value of the capital stock was equal to 64 tons of gold while the annual dividends of its shares moved around 20-22%. In the 1670s, the company's papers were sold with 510% profit, and the employees' staff number of VOC exceeded the 80,000 heads in its hey-day.

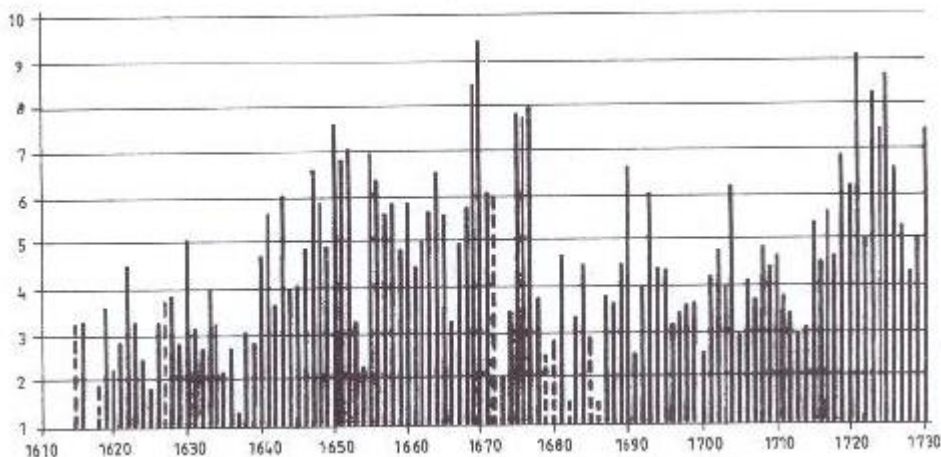


Figure 37. The value of VOC year pepper freights a million livre between 1615 and 1730 (the dotted line marks those years, in which the register was not full for some reason) (P. Léon: *Les hésitations de la croissance, 1580-1740*, Paris 1978, 174 p.)

The institutionalized Dutch expansion made progress quickly. The shipmen of the United Provinces reached the Southern Japanese islands in 1600, landed in Canton in 1601, and Portuguese Macao were also affected. They created a commercial settlement on the island of Ceylon in 1603. In 1604, Malakka, a mediatory port of the Indian and Chinese trade, was attacked, although unsuccessfully (Melaka, Malaysia). Finally, in 1610, in the Malakka Strait, the Dutch defeated the Spanish fleet also expressing an interest in the Far-Eastern trade.

As a part of the acquisition of the Far-Eastern business, the Dutch merchants had to tackle the competition not merely with the European rivals but also with Asia's traditional dealers, the Armenians, the Javanese, the Chinese, the Bengalis, the Arabs and the Persians. Dutchmen were helped considerably in this fight by the fact that Indonesia, the first and most crucial area of their expansion, was open to each essential economic regions of Asia through its Hindu, Chinese and Mohammedan population.

The question of the Far-Eastern colonization divided the Dutch East-Indian Company's leadership. The governor of the Indonesian areas, Jan Pieterszoon Coen (1617-23; 1627-29) was one of the most enthusiastic supporters of colonization, built fortifications, lured Dutch settlers into the Far East, but the governor having long term plans was called back because of the growing expenses. This conflict between the dealers and the colonists accompanied VOC through its history.

The Far-Eastern Dutch presence stabilized the foundation of Batavia (Jakarta, Indonesia) in 1619 definitively. Batavia was the heart of the cobweb-like commercial empire connecting the spice islands. The company's representatives negotiated a commercial treaty with the Japanese shogun first in 1616. In 1638, the Japanese drove away from the Portuguese, and the Dutch merchants

received commercial privileges because the VOC provided the shogun the defeat of the Christian Japanese peasants' insurrection.

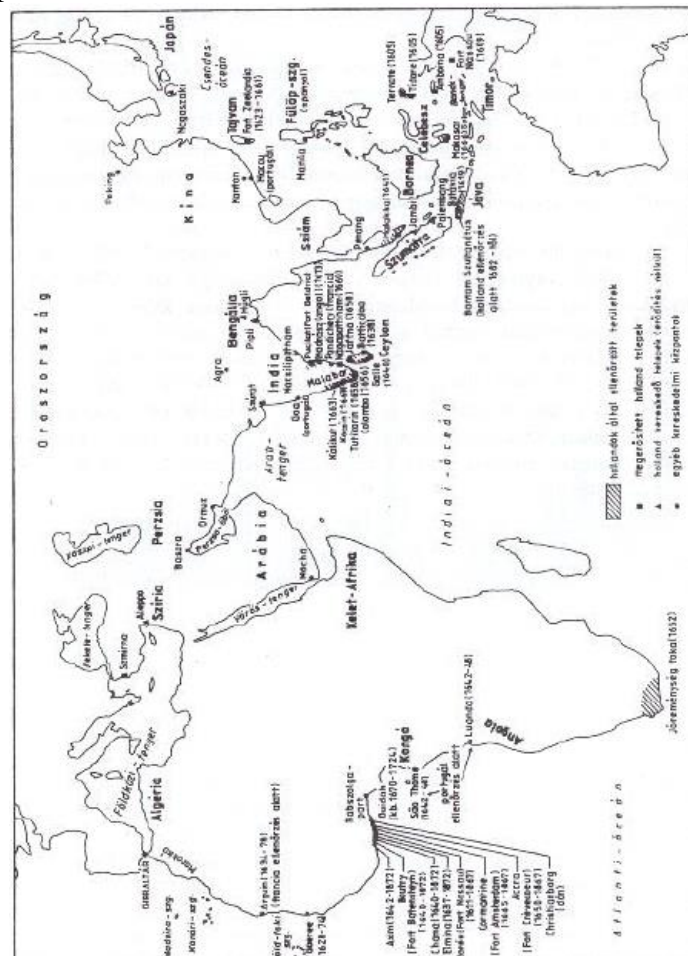


Figure 38. Dutch expansion in Africa and Asia at the Early Modern Times (N. Canny: *Europeans on the Move. Studies on European Migration, 1500-1800*, Oxford 1994, pp. 170-171.)

The company's leadership had to reckon, that a lasting presence is not possible in the Indonesian archipelago without keeping contact with India. In the 16<sup>th</sup> and 17<sup>th</sup> centuries, Dutch dealers had to avoid the Indian ports as a consequence of Portuguese ship threats. The first attempts for a foundation of a commercial settlement, with a changing result, happened at the Malabar coast at Surat between 1605 and 1621. Dutch dealers appeared in the second part of the 1610s in Broach, Cambay, Ahmedabad, Agra and Burhanpur. VOC consolidated its positions in the island of Ceylon in 1638, and it won over Kochi (India) from the Portuguese in 1665.

Dutch commercial capitalism reached its real dimensions in this Southeast Asian area with colossal expansion. The borders of the fragile retail empire built up by the Dutch East-Indian Company from Mozambique were extended until Japan through Macao, where the Dutch settlements' network was not too dense. Still, the contacts were rather intensive,



that let the network to operate as a coherent system.

The Dutchmen most often did not make anything else in the Far East, than merely taking the place of the eliminated Portuguese. It is indicative of the Portuguese and the Dutch experiences that the English coming forward with the claim of the commercial expansion created their own Trade Companies. The English launched long maritime discovery travels, like Drake in 1578, and Lancaster in 1592, with the consideration of the areas to be conquered. The Dutch merchants and sailors never smashed up the African-Indian Portuguese realm totally, but the English did this task in the 18<sup>th</sup> century.

## The Dutch commercial system and the decline of the Dutch East-Indian Company

In Asia, the most generous profit was possible to implement with the trade between the different economic zones. The Dutchmen named this commercial form as “inlandse handel”, the English “country trade”, the French “commerce d'Inde en Inde”. In this coastal commercial system, the dealers passed the orders, and give the freights to each other. The Portuguese were engaged in this retail system besides controlling the European spice import at the beginning of the 16<sup>th</sup> century. The Dutchmen proceeded as their predecessors; however, from their European experiences they understood that this is a coherent economic system, inside which it is enough to grasp the key products and the key markets.

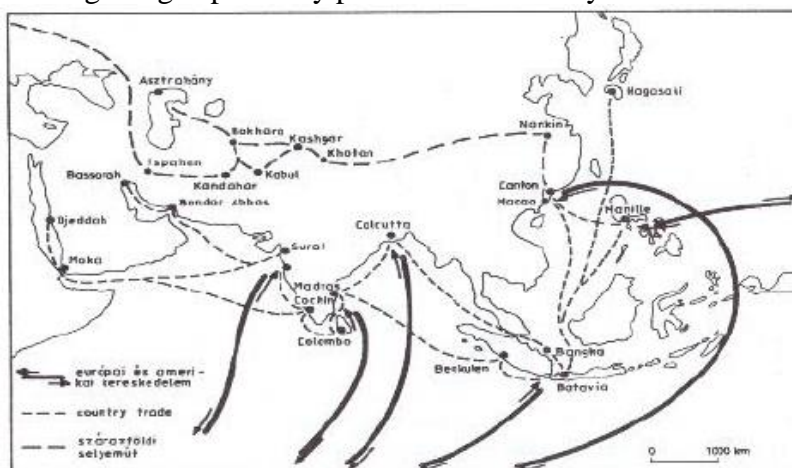


Figure 39. Asia's commercial roads in the 18<sup>th</sup> century (P. Léon: *Histoire économique et sociale du monde*, Vol. 2, *Inerties et Révolutions* (1730-1840), Paris 1978, 99. p.)

The system of the Dutch commercial supremacy was the best example for the system of monopolism and control in the Early Modern Times. The Dutchmen ran the spice trade similarly to the distribution system of the Baltic grain. The VOC ships carried the double quantity of spice to India than the complete consummation of Europe. The complexity of the commercial contacts is shown by the fact that the people of Amsterdam ate imported grain from South Africa.

The VOC merchants used the precious metal and the institution of the credit equally in the Far-Eastern trade. Though since the European dealers could hardly get credit in Asia, precious metal remained the most important device of the trade between the continents. It

proved to be determining factor from the viewpoint of Europeans that Southeast Asia and India are an area in shortage of precious metal; therefore the American silver had turned into the key of the Eastern products. The Dutch East-Indian company connected the Asian and the European economy world with the use of the American silver, through a commercial axis of Amsterdam-Batavia.

The Asian spice monopoly, fixing of prices, and the maximisation of the quantity of the trade provided considerable benefits for the Dutchmen opposite the European rivals through a long time. However, the commercial monopolistic politics built on compelling devices proved to be costly. Nor the Portuguese neither the Dutchmen were able to place under control the island of Ceylon. The expenses of supporting a garrison on an island, consumed almost the profit of the cinnamon trade. VOC put renewable experiments into consolidating the system of the monopolies. There was an ongoing fight against the local merchant ships. These problems did not make the Dutch East-Indian Company's commercial activity impossible, but the expenses increased in a considerable measure.

The trade of VOC can be considered unambiguously successful in the 17<sup>th</sup> century. The circle of the Far-Eastern products distributed in Europe expanded in the 1670s. Besides the traditional spices, the company started to trade Indian fabrics, tea, coffee and china. In 1691, 160 of VOC ships navigated in the Atlantic- and the Indian Ocean. The 30-60 cannon placed on the deck guaranteed the Dutch commercial superiority. The company's ships delivered on average 5,000 passengers annually from Europe into Asia. Around one million passengers moved in the course of the 17<sup>th</sup> and 18<sup>th</sup> centuries. The number of the Asian Dutch population was roughly around 10,000 heads, surrounded, however by an extensive local service staff.

The Dutch East-Indian company's decline was beginning at the end of the 17<sup>th</sup> century when the company's dealers started to get excluded both from the legal Far-Eastern trade and from the contraband. The fast indebtedness of VOC began from the 1730s. By 1788, the situation became catastrophic, the company was not able to equalize its short term bills with a value of 15,000,000 ducats already.

The degradation of VOC can be led back fundamentally to two reasons. The French, the Danish, the Swedish and chiefly the English competition had a determining role in the decline of the Dutch East-Indian Company. Disorganization and demoralization were the other reasons for the decline of VOC. In the first phase of the conquest, the Dutchmen attested unprecedented moderation roughly until 1650. However, luxury and the corruption were gaining grounds in the second part of the 17<sup>th</sup> century to a greater extent. According to the logic of the institutional career trajectory, on the eve of the collapse, VOC became a typically overgrown organization.

## The borders of the Dutch expansion: the New World

In the 17<sup>th</sup> century, the merchants of the United Provinces attempted to enter the system of the American trade too. Following the traditions of the European colonisation, the contact began with plundering and piracy. In 1595, a smaller Dutch fleet looted the African coast having commercial contact with America, then likewise in 1604 Dutch ships squandered the harbour of the Brazilian Bahia (Salvador, Brazil). The real war in America began only after closing the war with the Spanish crown (1609-1621). On 9<sup>th</sup> June 1621, the Dutch

West Indian Company was founded using the model of VOC. The Portuguese colonies were the most vulnerable in America; therefore, the pivotal force of the Dutch attack aimed to conquer Brazil. The company's ships occupied Salvador (previous Bahía) in 1624, capital of Brazilia. Still, a Spanish fleet raided the city in the next year and chased away the Dutchmen. The company had another attempt in the sugar zone, in the Recife neighbourhood again in the 1630s. The conquests were restricted to the seacoast of the country, and the continental areas remained in the management of the Brazilian Portuguese colonies. This state was bearable very difficultly for the Portuguese because the Brazilian sugar trade got into a Dutch hand. The Dutch seaside settlements were under siege all the time. Portuguese or a Spanish attack threatened them both from the direction of the sea and the mainland.

A spectacular turn happened with the procession of the fights when on 23 January 1637, Maurice of Nassau arrived to Recife, and named himself the governor of Brazil. A Dutch attack was started on both poles of the African-American commercial system. The West Indian Company's ships attacked Sao Paulo de Loanda (Luanda) in Angola, Sao Jorge da Mina and Sao Tom island in Guinean Gulf, that were the directing centres of the slave trade into America. The fights between the United Provinces and Portugal were closed by a ten-year truce in 1641.



Figure 40. Dutch settlements in North and in South America in the Early Modern Times (N. Canny: *Europeans on the Move, Studies on European Migration, 1500-1800*, Oxford 1994, 174 p.)

The truce was never observed on the Far East, as opposed to in America, since the West Indian Company considered the warring too costly. Maurice of Nassau

turned the military forces getting freed through the truce against the Spanish. Five ships went round Cape Horn and looted the coast of Chile and Peru. The Portuguese started the war again in 1657 and recovered Sao Tome, and Sao Paulo de Loanda (Luanda, Angola) soon. The Dutch-Portuguese war pursued with changing success and was closed by a peace treaty. In the Netherlands the West Indian company's leadership was blamed for the failure. The state helped the ill-fated company financially in 1667, but the Company was never able to exceed the level of secondary intermediate trade though. Two of the Dutch West Indian Company's most important American bases were Curacao and Suriname. Curacao was conquered by the Dutchmen in 1634. Suriname was received from the English through the peace of Breda in 1667 as a compensation for Nieuw-Amsterdam (New York). Curacao was the centre of the slave trade with local significance while in Suriname the sugar-cane plantations were the most profitable. The determining reason for the American Dutch failure was, that America – as opposed to Asia - was not inhabited densely; therefore, the technique of the commercial colonization proved ineffective. In America, primarily the state installations worked well, and the “parasite” Dutch colonization technique were ineffective. Moreover, the English very tactically supported the Portuguese and Spanish rebellion against the rival Dutchmen. The United Provinces were not strong enough to hold all commercial threads in their hands from the Indian Ocean through the African coast to the Brazilian forest edge.

## THE DUTCH COMMERCIAL CAPITALISM IN EUROPE

### The peculiarities of the Dutch commercial capitalism

There was everything together in Amsterdam, which is necessary for the European economy world's management: huge mercantile fleet, stock exchange, banks, shops and enormous depositories charged well. The Stock Exchange of Amsterdam was one of the most important scenes of the directing of the commercial system where the dealers gathered regularly, occasional companies were created, ships were bought, fitted out and set off for a cruise. As a universal market working continuously, Amsterdam was the heir of Venice and Antwerp. The Dutch financial system was completed as the elaborated version of the Genoese money and a banking system. Amsterdam's commercial positions were based on the huge credit opportunities and an astonishing amount of a precious metal moving continuously. And this commercial and a financial world were directed most consciously by the elite consisting of the Dutch merchants and politicians.

### The rivals of the United Provinces: France and England

From a commercial viewpoint, the United Provinces kept under control the economy of a mastodon size like France in the 17<sup>th</sup> century. The French dealers attempted to infiltrate the trade of distributing wine, grain and various fabrics though, but their Dutch rivals displaced them consciously and systematically. The Netherlands was able to influence the French political life through its positions in trade and credit



life. In the 17<sup>th</sup> century, in terms of economic dependence, the international trade position of France slightly differed from Sweden and neither Louis XIV nor Prime Minister Colbert could change it.

The English reacted powerfully to the commercial superiority of the United Provinces. The Cromwell Navy Law issued in 1651 allowed the merchandise to be transported into English harbour only for the ships of those countries that manufactured the commercial commodity. It was directed against the Dutch fleet specialized in mediating trade. England waged war with four occasions against the United Provinces (1652-54, 1665-67, 1672-74, 1782-83), and won all four. The English economy improved, the state protectionism was more balanced, and compared with the French, proved to be less vulnerable. Moreover, the Dutch ships navigating on the Atlantic Ocean, were often forced to escape from the storms into English harbours. But at the same time, the administrative limitations did not exempt England from the Dutch commercial influence in a full measure. The dealers of the United Provinces tried to adapt to the conditions supported by the Navy Law. The giant Dutch business houses, like the Neck, Van Notten, Neufville, Clifford and Van Lennep created subsidiary companies in London.



Figure 41. Amsterdam's and London's commercial contacts in Europe around 1700. (C.M. Cipolla: *The Fontana Economic History of Europe. Vol. 2, The Sixteenth and Seventeenth Centuries.* London 1974, 550 p.).

For England, the Dutch commercial contact gave the opportunity to access international trade until the 1730s. The Baltic shipbuilding raw materials, having strategic significance, arrived into the English harbours on Dutch vessels in the 17<sup>th</sup> century. The English East-Indian company's function was reduced to buying the current Far-Eastern products from the Dutch partner organization for a long time.

According to an English satire published in 1684: all of our dealers were practically Dutch employees.

But from 1730s, the European Dutch trade was already declined powerfully, so England may have got rid of the Dutch guardianship without any resistance. The Dutch capital turned towards the credit following the degradation of trade of the



United Provinces, and by lacking profitable continental investment opportunities, the republic's capital surplus streamed towards England. The most populous Dutch colony lived in London, and built up their own church. Thank to the Dutch financial background in the 18<sup>th</sup> century, the commercial and industrial investments, the necessary amount of credits were continuously ready, which proved to be an unprecedented benefit.

### **Amsterdam's decline and the revolution of Batavia**

Since the 1760s, a severe number of crises shocked the Dutch economy playing a determining role in the general crisis. The waves of credit crises were lightened up time by time because the trade was based on artificial money and some transactions did not have real coverage. The financial balance was upset almost exactly in every ten years: 1763, 1772-73 and 1780-83. The first and the third crisis played an important role in the explosion of the wartime situation, while in 1772-73, a general economic crisis was preceded by a catastrophic agricultural crop. The recurrent waves of the problem started a series of bankruptcies, and the consecutive crises were pushed Amsterdam away from the European economy world's centre. The long-lasting crises rearranged the economy world's lines of force, and London has become the centre of the new economic field.

After the fourth and lost war fought against the English (1782-83), a patriotic insurrection broke out in the United Provinces in 1784. The organizers of the insurrection were members of the Republican bourgeoisie, the activity of whom resembles to the third-order activities in France. The revolution of Batavia was the first civil revolution of the continent, and rightfully can be considered as the direct antecedents of the French revolution. The revolutionaries advertised the national market's and the land's protection, which was a sign of the Dutch economic decline. It seemed that the revolution triumphs, but the consolidation proved to be transitional though, and from 1787 with English and Prussian military help the Orange dynasty restored the institution of the "stathouderat". After the revolution of Batavia, Oldecop, the Russian delegate, wrote these profetic sentences: "Europe has fun with the Dutchmen's craziness already for a long time, here is the time to turn towards France."

## QUESTIONS

### Definitions:

- Why is the Netherlands named an artificial country?
- What was the reason for the high level of urbanization in the Netherlands?
- What natural disaster has made Amsterdam a port city?
- What waves of immigration helped the development of the Netherlands?
- Why did the Netherlands win the eighty-years war of independence against Spain?
- What were the reasons for the decline of the Netherlands in the 18th century?

### Short essays:

- What were the main strengths of the Dutch economy (industry, trade, fisheries, agriculture)?
- How did the Netherlands build its trading empire?

## BIBLIOGRAPHY

### General works:

- Aymard, M. (ed.): Dutch Capitalism and World Capitalism, London 1982.
- Braudel, F.: Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle. Vol. 3, Le temps du monde, Paris 1979.
- Braudel, F.: La Méditerranée et le monde méditerranéen à l'époque de Philippe II, Paris 1949. (magyar nyelvű fordítás 1996.)
- Cipolla, C.M. (ed.): The Fontana Economic History of Europe. Vol. 2, The Sixteenth and Seventeenth Centuries. London 1974.
- De Vries, J.: The decline and rise of the Dutch economy, 1675-1900. Research in Economic History, suppl. 3, 1984, pp. 149-189.
- De Vries, J.: The Economy of Europe in an Age of Crisis (1600-1750), London 1976.
- Histoire Économique et Sociale du Monde, tome 2, Les hésitations de la croissance, 1580-1730, ed. P. Léon, Paris 1978.
- Histoire Économique et Sociale du Monde, tome 3, Inerties et révolutions, 1730-1840, ed. P. Léon, Paris 1978.
- Kamen, H.: European Society, 1500-1700. London 1984.
- Ormrod, D.: The rise of commercial empires : England and the Netherlands in the age of Mercantilism, 1650–1770. Cambridge 2008.
- Pounds, N.J.G.: An Historical Geography of Europe (1500-1840), Cambridge 1979.
- Pounds, N.J.G.: An Historical Geography of Europe, Cambridge 1990. (magyar nyelvű fordítás 1997.)
- Rich, E.E.-Wilson, C.H. (eds.): The Cambridge Economic History of Europe. Vol. 4. The Economy of Expanding Europe in the 16th and 17th Centuries. Cambridge 1967.

### Physical geography and agriculture of the Netherlands:

- De Vries, J.: The Dutch Rural Economy in the Golden Age (1500-1700), New Haven 1974.
- Lamb, H.H.: Climate, History and the Modern World, London 1982.
- Slicher van Bath, B.H.: Agriculture in the Low Countries (c. 1600-1800). In: Relazioni del X. Congresso Internazionale di Scienze Storiche, IV, pp. 169-203. Firenze 1955.
- Wagret, P.: Polderlands, London 1968.

### Cities of the United Provinces:

- De Vries, J.: European Urbanization, London 1984.
- Gelderblom, O.: Cities of Commerce: The Institutional Foundations of International Trade in the Low Countries, 1250-1650. Princeton 2013.
- Houtte, J.A. van: Essays on Medieval and Early Modern Economy and Society, Louvain 1979.

Murray, J.J.: Amsterdam in the Age of Rembrandt, London 1967.

Regin, D.: Traders, Artists, Burghers. A Cultural History of Amsterdam in the Seventeenth Century, Assen 1976.

### The population of the United Provinces:

De Vries, J.: The Population and Economy of the Preindustrial Netherlands, Journal Interdisciplinary History, 15, 1985, pp. 661-682.

Flinn, M.W.: The European Demographic System (1500-1820), 1981.

### The Dutch fleet:

Bruijn, J.R.-Eyck van Heslinga, E.S.: Seamen's Employment in the Netherlands (c.1600-c.1800), Mariner's Mirror, 70, 1984, pp. 7-20.

Unger, R.W.: Dutch Shipbuilding Before 1800. Ships and Guilds, Assen 1978.

### Political relations of the United Provinces:

Armstrong, J.A.: The European Administrative Elite, Princeton 1973.

Price, J.L.: Holland and the Dutch Republic in the Seventeenth Century, Oxford 1994.

Tracy, J.D.: A Financial Revolution in the Netherlands. Renten and Renteniers in the County of Holland (1515-1565), Berkeley 1985.

### Baltic trade:

Attman, A.: The Struggle for Baltic Markets. Powers in Conflict (1558-1618), Göteborg 1979.

Christensen, A.E.: Dutch Trade to the Baltic About 1600, Copenhagen 1941.

Stuijvenberg, J.H. van (ed.): The Interactions of Amsterdam and Antwerp with The Baltic Regions (1400-1800), Leiden 1983.

### The Far East and the VOC:

Gaastra, F.: The shifting balance of trade of the Dutch East India Company, in: Blussé, L.-Gaastra, F. (eds.): Companies and Trade. Essays on Overseas Trading Companies during the Ancien Régime, Hague 1981, pp. 231-241.

Glamann, K.: Dutch-Asiatic Trade (1620-1740), Copenhagen 1958.

Steensgaard, N.: The Asian Trade Revolution of the Seventeenth Century, Chicago 1974.

### The limits of Dutch expansion: the New World:

Emmer, P.C.: The West India Company, 1621-1791: Dutch or Atlantic. in: Blussé, L.-Gaastra, F. (eds.): Companies and Trade. Essays on Overseas Trading Companies during the Ancien Régime, Hague 1981, pp. 71-95.

Hoboken, W.J.: The Dutch West India Company. The Political Background of Its Rise and Decline, in: Bromley, J.S.-Kossman, E.H. (eds.): Britain and the Netherlands, London 1960, pp. 41-61.



### The Baltic Area in the Early Modern Times:

Bjurling, O.: Sweden's Foreign Trade and Shipping Around the Year 1700, *Economy and History*, 4, 1961, pp. 3-33.

Bjurling, O.: Swedish Shipping and British-Dutch Competition During the 1670s and 1680s', *Economy and History*, 14, 1971, pp. 3-26.

Werner, E.: The Emergence of the Modern State in the Scandinavian Countries During the Sixteenth and Seventeenth Centuries, *Scandinavian Journal of History*, 10, 1985, pp. 271-363.

## THE NATIONAL MARKETS

The regional-political units created by the medieval territorial states were not coherent in an economic sense. The fundamental question of this chapter is: how did the territorial unit made by political-military forces gained economic coherence in Europe, and how did the territorial states serving as a political-economic unit managed to defeat the former directors of the European economy world, the city-states? Integration of the regional markets existing in the political frame of the territorial-states was not a spontaneous process in the Early Modern Times. We can always find political will behind the national markets' formation, which took the place over economic rationality from time to time. The development of the national markets, representing the new quality of the economic integration, was most probable near the European economy world's centre, though.

## THE ORGANIZING OF THE SPACE

### Spatial hierarchies

The smallest integrated spatial unit of the human history is the area which can be defined through the demographic isolation.

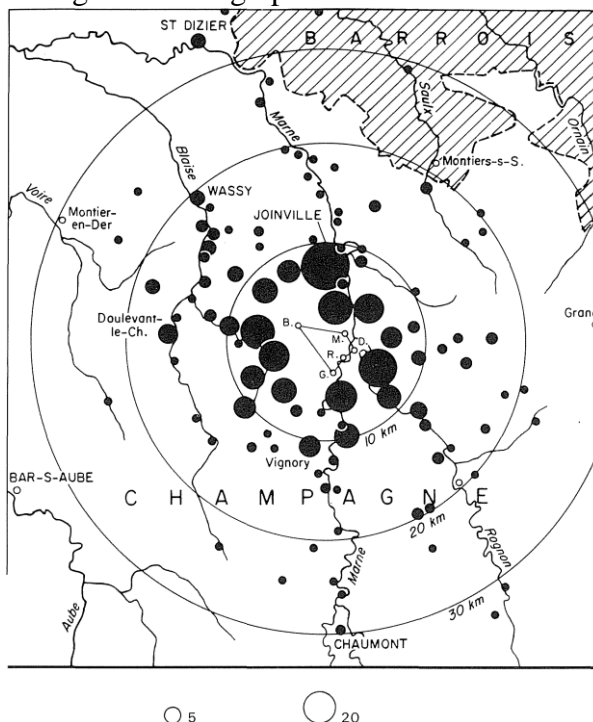
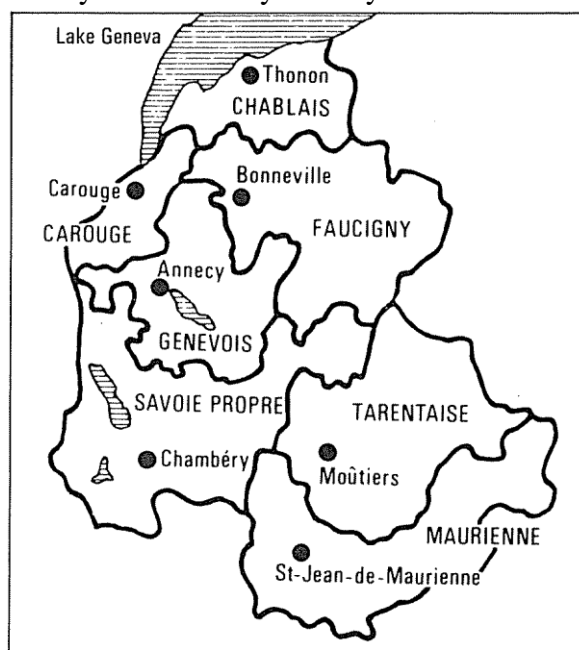


Figure 42. The spatial orders of the marriages in five Champagne villages between 1681 and 1790: Blécourt, Donjeux, Gudmont, Mussey and Rouvroy. (F. Braudel: *The Perspective of the World*, London 1984, 281 p.).

The cities were efficient space organizers in traditional and in modern times too, by dividing the economic roles in their neighbourhood. The regional expansion of the City depended largely on the traffic relations, the population's density and the fertility of the country. According to Wilhelm Abel's calculations, in traditional Europe 3,000 heads lived in an ideal-sized City, with the need of 85 km<sup>2</sup> arable land, though reckoning with more diverse territory (forest, pasture) roughly 170 km<sup>2</sup> was the minimum need.

The cantons and the counties represented the third level of regional hierarchy. Their average size is estimated as 2-3,000 km<sup>2</sup>, and they were named often as "countries". The cultural identity of these "countries" was shown in costume, folklore and folk architecture which preserved their regional peculiarities even in the age of national state standardization.

The province was the most spacious and well-functioning framework of medieval society's life, not the kingdom or the manor. The province remained the spatial framework of political and economic activities in Italy and Germany entirely until the 19<sup>th</sup> century.



*Figure 43. A province and its countries: Savoya in the 18<sup>th</sup> century. Every province was divided into fairly coherent units most of which have survived to the present day. (F. Braudel: The Perspective of the World, London 1984, 285 p.)*

The economic life of the provinces were directed by one or two central cities: Burgundy-Dijon, Portugal-Lisbon,

Tuscany-Florence, Bavaria-Regensburg and Munich, Castille-Valladolid and Madrid. These province markets had to face with the challenges of international trade and the standardizing will of the territorial state leaders in the Early Modern Times. The wealthy provinces were engaged in the global flow of the goods with the exportation of their industrial products, while the poor and backward provinces were engaged with the exportation of their population's workforce. The different forms of protectionism were the virtual devices of state standardization, the national market's forming, and the process by which the state wrapped the province units into the national market's Superstructure.

## The territorial state and the national market

The antecedents of Europe's territorial states can be lead back until the 10<sup>th</sup> and 11<sup>th</sup> centuries; their evolution took the road from a core area which can be delimited well though. For the French territorial state, the Ile-de-France, the Capeting possession was its starting point. In England, the basin of London, in Scotland the Lowlands country, and Castille in the case of Spain was the base of the territorial integration. The Russian state's core area was Moscow and a massive forest in its neighbourhood, while in Sweden the country of the Mälaren lake was the starting point.

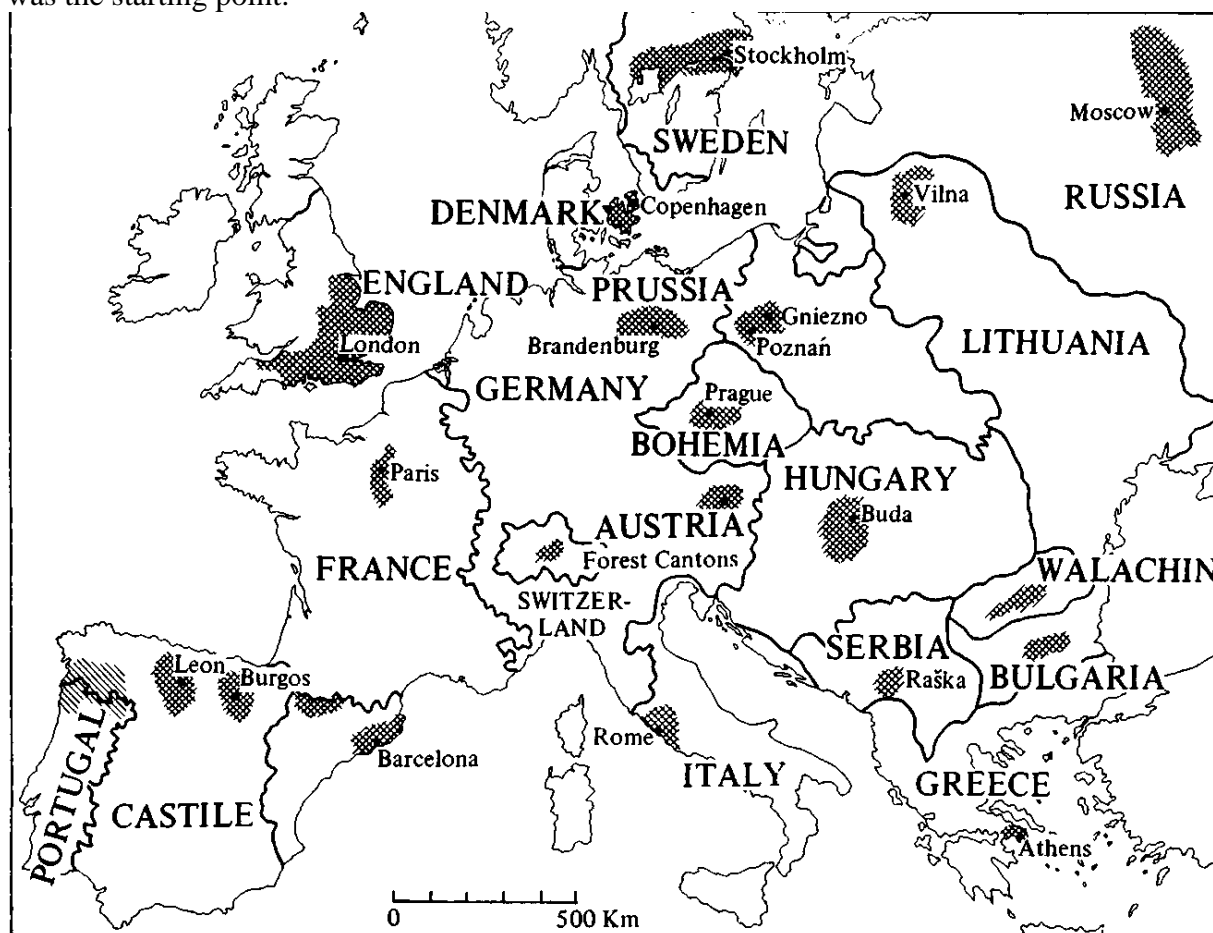


Figure 44. The core areas of the medieval European states. (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990. 120 p.)

The territorial states started to break out from the multilayered crisis of the 14<sup>th</sup>



century only in the second part of the 15<sup>th</sup> century. The political and economic integrational endeavours were facing the particular interests of cities and provinces. The Italian towns rejected Machiavelli's union proposals, the states of the Holy Roman Empire were not favoured the reform efforts of Maximilian II, and the Netherlands did not want to be integrated into the state of Philip II. The national states building up the configuration of the political power were confronted with city-states that constructed the spatial network of trade. Amsterdam, the last survivor of the urban world, was able to hinder France's and England's rise in the 17<sup>th</sup> century. However, the 18<sup>th</sup> century became the age of the national states' economic dominance.

In Modern Times, after the territorial states' economic integration, the countries gradually transferred the custom stations from the central areas to the borderlands. Borderlands were protected with armies always ready to fight. This exterior custom and border protection system became dominant only in the 18<sup>th</sup> century. Spain started it in 1717, but the control was not efficient in the Basque provinces. The Habsburg Empire started it in 1775, while the French custom and border protection system was institutionalized only in 1790. However, the inner customs' abolition in itself did not start economic prosperity. When Colbert created the customs union expanding on the country's central and Northern areas in 1664 (Les cinq grosses fermes), its territory was almost identical with the territory of England. However, it did not accelerated economic processes, so the significance of customs should not be exaggerated.

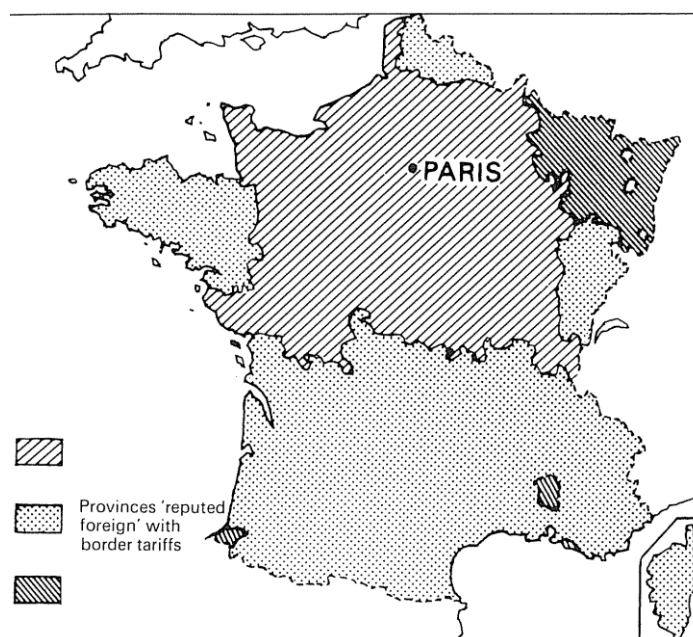


Figure 45. The area of the customs union of the province created by Colbert in France: the Cinque Grosses Fermes (F. Braudel: The Perspective of the World, London 1984, 291 p.)

## The territorial economy and the city economy

The difference between the territorial economy and the city economy is accessible with the spatial approach, confronting the extensive realm and the punctiform City. This abstract geometry approach is weakened by the fact, however, that the European economy world's city-states also attached large territories to themselves. Venice was a colonist power in Levant, just like the Netherlands in Dutch Indonesia or England in India.

We find clearer differences examining the construction of the economy. The first and the third sector, the industry and the services, were more vital in the city-states. Venice, Genoa or Amsterdam imported food and agricultural raw materials instead. In as much the city-states expanded, and field farming was suitable at their disposal, as happened with Florence in Tuscany, they did not turn towards the production of the elementary foods then, but they were specialized to the most profitable agricultural cultures in these territories. Like Florence, that after the conquest of Tuscany imported the grain from Sicily, and in Tuscany grape and olive trees were planted all over. As a result of this, the local agriculture of prosperous city-states was turned into capital investments and the rural population bought the elementary foods on the market.

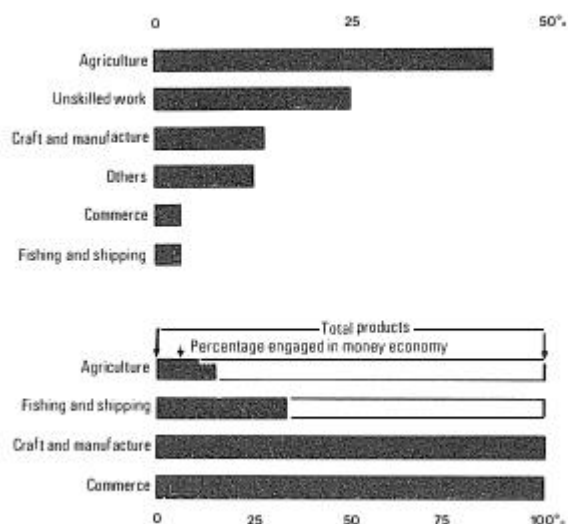


Figure 46. Participation of agriculture, industry and trade in the monetary economy in Denmark in the 1780s. (F. Braudel: *The Perspective of the World*, London 1984, 297 p.).

The territorial state's economy was dominated by agriculture during the traditional time with its limited growth and profit-making ability. There was a need for tax revenues for the maintenance of the administration of the kingdoms created by a series of wars and dynastic marriages. There were two ways for increasing the tax revenues: the conquest of new areas, which however yielded the mass of new tasks, and the stimulation of the trade of agricultural products. The dissemination of market and the financial management were the elemental interests of the elite of all territorial states. The European economy world's first leaders were cities like Venice and Amsterdam. London, which was a national capital fortuitously, fit logically into this list. London based

its superiority on the balance among agriculture, industry and trade, and between the demand and the supply, established in the English national market's framework until the turn of the 17<sup>th</sup> and 18<sup>th</sup> centuries.

## The indicators of the national market

The operation of the national market can be characterized by three statistical indicators: the national property, the value of national income, and the national income per capita. The national property is the result of the long-term accumulation processes of the national economy. The direction of the accumulation and mobility was the most important in the case of national property. National income is a commonly-used economic concept though its content is strongly disputed. According to Simon Kuznets' definition, the clear value of the national income is what a nation's economy produces in a year.

National income per capita indicates the relation between the establishment of the production and the population change. In as much the production is growing faster than the number of inhabitants, the national income calculated to the single head is increasing, in the contrary case it is decreasing. The sudden increase of the national income falling on a single head does not inevitably mean substantive development. In the first half of the 18<sup>th</sup> century, Portugal had the highest growth of national income per capita in Europe without any kind of economic development. The source of economic growth was the systematic robbing of Brazil. The colonial authority made the Portuguese king one of his wealthiest rulers of Europe, but this status was not sustainable in the long term.

The proportion of urban and rural population is a reliable indicator of the national market's development. At the beginning of the 18<sup>th</sup> century, the Netherlands has the highest level of the urban population's ratio with 50%, the second was England with 30%, and the third was France with 15-17%.

The sectoral distribution of national incomes reflects the inner relations of the national economy. In 1688 the English national income based on sectoral distribution were the following: the agriculture 20 million, the industry 10 million, the trade somewhat less than with 5 million pounds. In France, during the reign of Louis XIV, the agriculture produced 5 billion livres contribution to the national income, while the performance of the French industry was 2 billion livres, which correctly shows the more traditional character of the French economy.

In England, the national debt stock may have exceeded the double of the national income without all danger in the 18<sup>th</sup> century, which proved the stability of the English budget. The difficulties entailing the debt stock depended on financial management, mainly on the performance of the economy, and on the exterior and inner trust. Before 1789, the debts of France never exceeded more than one and a half times of the national income, however, due to the careless financial policy of the country, this debt level proved to be enough for an acute monetary crisis.

The amount of tax revenues significantly influenced the economic playground for the European governments in the Early Modern Times. The taxes of the Venetian city council streaming back into the central budget were 5-10% of the national income at the end of the 16<sup>th</sup> century. In France, between 1715 and 1800, the tax revenues moved around 10% of the

national income. In England, the taxation level moved around mainly 20% of the national income in the 18<sup>th</sup> century, and attained 24% at the time of the Napoleonic wars. But it was decreased to 10% only by the 1850s. The states of the 20<sup>th</sup> century were able to stream 30-40% of the national income into the central budget.

In as much we approach the modern history of European national economies with global optics, we may observe two determining processes. The first is that the growth of national income was continuous, but uneven. The other one is the economic advancement of states. Devices for progress were created through the growing central budget. The territorial states collapsed in the 5<sup>th</sup> century with the fall of the Roman Empire; the general prosperity of the 11<sup>th</sup>-13<sup>th</sup> centuries reorganized them; the multilayered crisis of the 14<sup>th</sup> century made the European territorial states unstable and disorganized, from which they started to get back in the 15<sup>th</sup> century, and finally by the 18<sup>th</sup> century, territorial states turned into the directing powers of the European economy world.

## FRANCE: THE VICTIM OF THE GIGANTISM

### The French territorial state development

The French monarchy's institutions were formed during the reign of Philip Augustus (1180-1223), and Louis IX (1226-1270) and France became one of the most shining states of Europe. The Gothic style conquering Europe started from the Ile-de-France, and it is indicative of the distinguished place of Christianity that the French kings led Crusades. The French kingdom slid into the Hundred Years War according to the logic of dynastic discords in the 14<sup>th</sup> century for redistribution of the provinces of the English-French territory. The restoration of the French monarchy was performed by Charles VII (1422-1461) and Louis XI (1461-1483). In the 16<sup>th</sup> century, France became Europe's first territorial state, its area more than 300,000 km<sup>2</sup>, and national income equal to 1,600 tons of gold. The Valois dynasty was an equal adversary to the Habsburg dynasty in the wars of the 16<sup>th</sup> century.

It meant a severe disadvantage to France that none of the directing centres of the European economy world in the Middle Ages or the Early Modern Times were situated in the country's area. Though France put renewable experiments into the conquest of these centres. In the last decade of the 15<sup>th</sup> century the French tried to place North Italy under their control, but unsuccessfully. Italy lost its primary economic directing role already by this time which made the French undertaking hopeless from the beginning. One and a half centuries later France experimented with the occupation of the Netherlands, and there was also some probability that the French would succeed in annexing the United Provinces in 1672 which would have meant that the European economy world's centre of gravity could have stirred towards Paris then. When the French army occupied the Netherlands in 1795, London had already hold of the threads of the European economy world's management.

The French territorial state found fulfilment in the 18<sup>th</sup> century. France's area was thirteen times larger than the territory of the Netherlands and four times larger than England. The population of France was ten times bigger than the



population of the Netherlands's and three times bigger than the number of English inhabitants. With 20 million residents, France reached the upper limit of the European traditional territorial state's growth in 1770. As Galiani abbe wrote it in 1770: France became victim of its own gigantism. A realm of this size was not controllable efficiently by the technical standards of the traditional age.

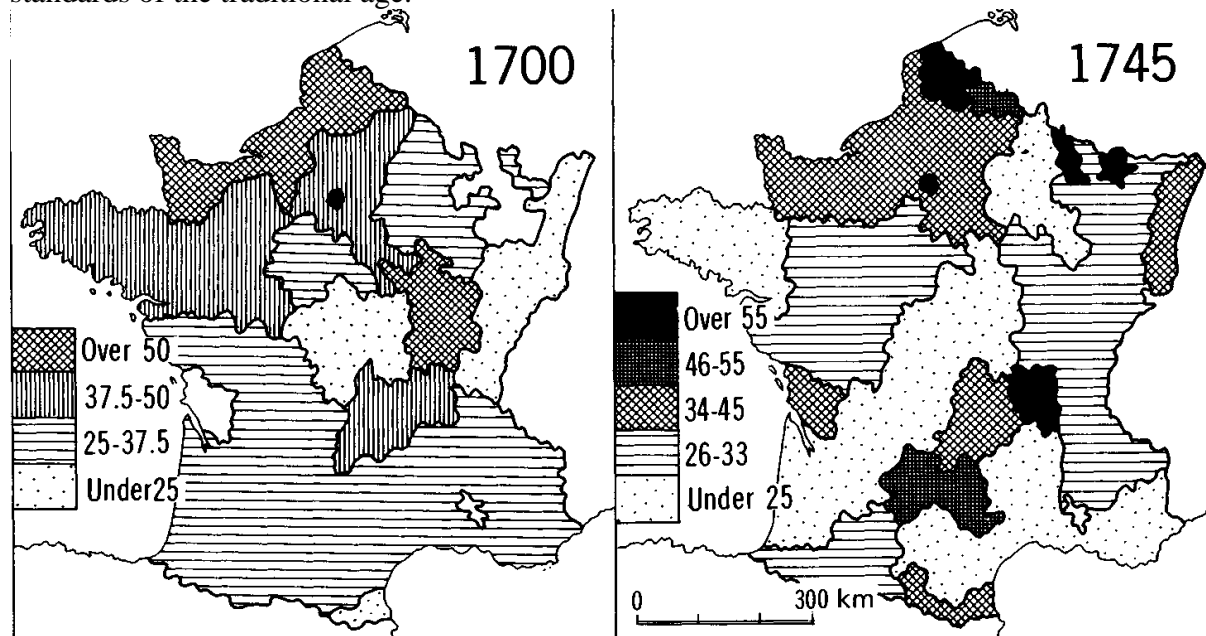


Figure 47. France's population density in the 18th century (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990, 263 p.)

## Paris or Lyon

Since the 15<sup>th</sup> century, two cities were in competition for the management of the vast French space: Lyon and Paris. Lyon was indisputably France's most important economic centre in the 15<sup>th</sup> and 16<sup>th</sup> centuries. Louis XI and the Italian merchants had an essential role of in the rise of Lyon because the fairs of Lyon were a bill station driving towards the inner continental areas. Therefore the economic strength of Lyon depended on the economic success of the Mediterranean countries. The financial collapse of the Mediterranean economy in the 1570s was a severe strike to Lyon. Following this crisis, Lyon became a European trade centre with secondary significance only and were left by the Italian dealers. The city became French by the 17<sup>th</sup> century. Lyon found itself in the bad half of the transforming early modern European economy world, and despite all of its vitality and renewal experiments, Lyon had to face that the French imperial politics favoured Paris. As it was expected, Paris won the fight between the two cities.

Paris, the political capital, the ruler's seat was not able to seize the economic positions lost by Lyon. Paris was not ready for the management of the international trade at the end of the 16<sup>th</sup> century, because it neither have the market comparable with the Lyonese, nor the financial infrastructure needed to the moving of the capital. Paris remained the monarchy's capital where the royal

income was collected, and very often it was spend wastefully. It was a universally widespread opinion that the French elite lived in Paris and were socially opulent, individually wasting and economically parasite. According to Turgot: Paris was a whirlpool that swallows the country's richness.

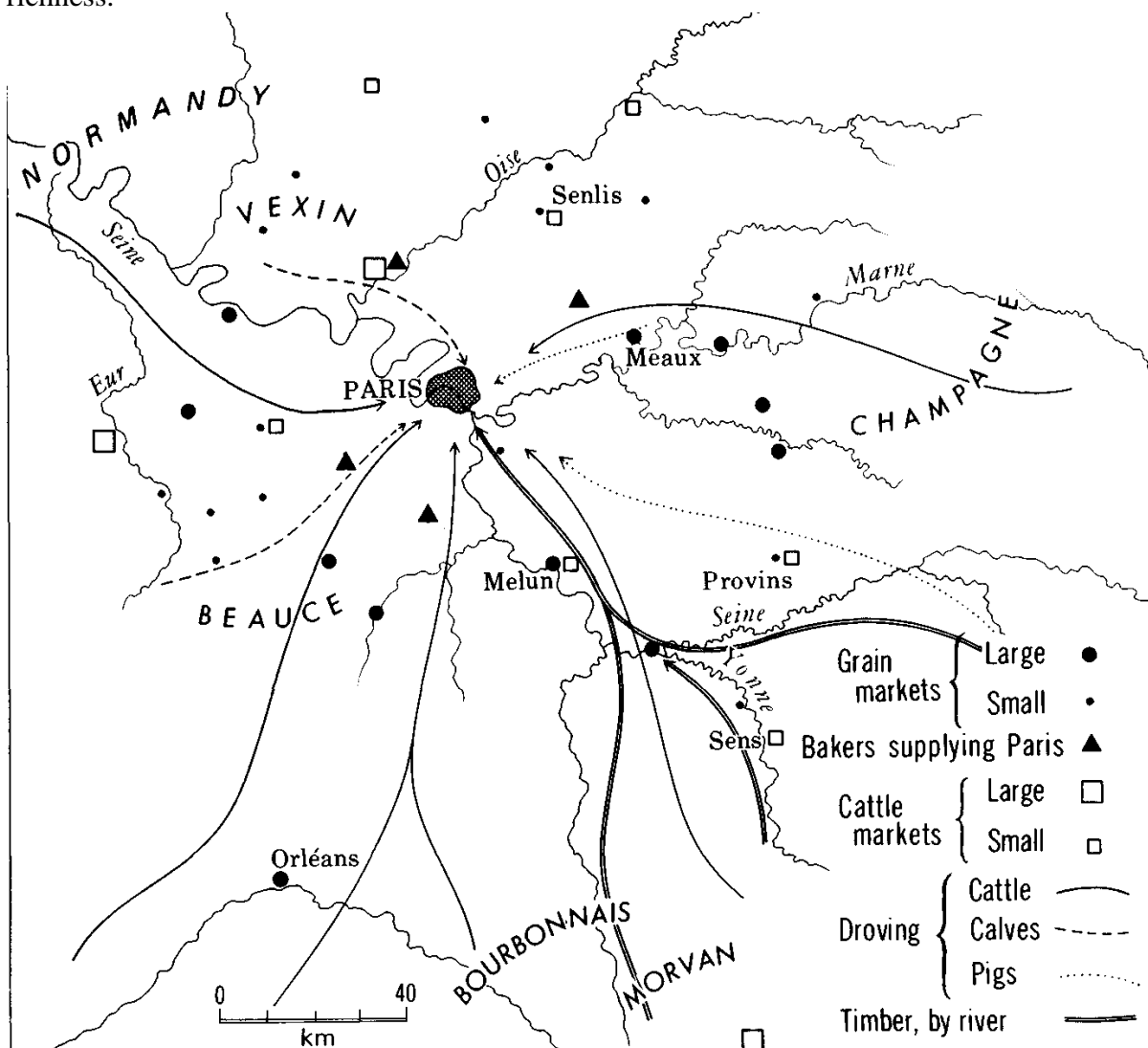


Figure 48. The system of Paris's food supply in the 17th century (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990, 273 p.)

Paris obtained positions with international significance in the area of credit and financial affairs alone. In Paris, the Banque Royale was founded in 1716 and since the Bourse started working, it became the directing center of the French economy. Though Lyon remained the most important centre of trade even in the second part of the 18<sup>th</sup> century. In 1781, the trade flow of Lyon was estimated as 212 million livres, with a 74 million livres asset. Paris's full trade moved around 25 livres, and because of the incredible rate of consumption, the trade balance was regularly negative.

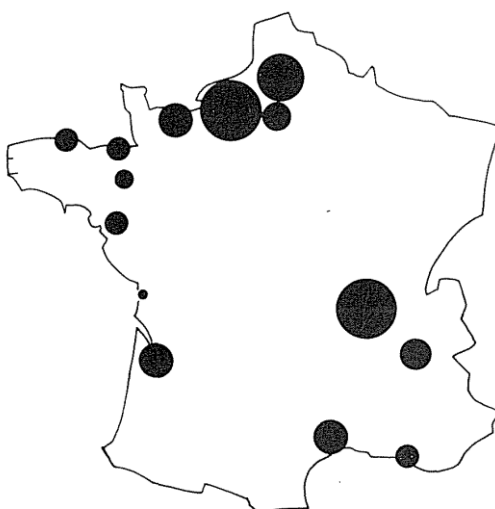


Figure 49. The regional distribution of the amount of tax imposed on the French dealer companies at the beginning of the 18th century. The highest sum, 150,000 livres was paid by the merchants of Lyon and Rouen; Bordeaux, Toulouse and Montpellier paid 40,000 livres tax, and Marseille enriched the central budget with 20,000 livres (F. Braudel: *The Perspective of the World*, London 1984, 341 p.).

The regional background of the Lyon and Paris opposition is based on the regional tensions between the Mediterranean and the France-Atlantic region. The Southern French areas were pulled by the decaying Mediterranean economic system in the second part of the 16<sup>th</sup> century. As opposed to it, the Northwestern regions were engaging in the Atlantic trade, and passed through on most vigorous economic development in the Early Modern Times. The centres of the economic growth were ports: Dieppe, Rouen, Le Havre, Honfleur, Saint-Malo, Nantes, La Rochelle, Bordeaux and Bayonne.

## THE BIRTH OF THE BRITISH EMPIRE

### How did England become an insular country?

England can be dated as an insular country partly from the loss of the Hundred Years War (1453), and partly from the time of losing Calais, the last continental English bridgehead (1558). In the previous centuries of the Middle Ages, England cannot be considered as a country separated from the continent, but rather as a group of provinces in the French-English conglomerate. At the time of the fights for the control over the French-English space, the danger of gigantism threatened England, similarly to France. Still, the losing wars protected the country from the trap of conquest-oriented development of territorial states.

Being left out from continental politics, England was turning towards the solution of its internal problems in the 16<sup>th</sup> century. Big drainage works were beginning in the insular country, as well

as experiments with involving the highland areas in cultivation, and the enclosure of the alley lands. Scotland was a political-military source of danger, as well as Wales that temporarily won its independence back in the Hundred Years War. Between 1529 and 1533 the conflict between Henry VIII and the Pope became so aggravated that it contributed to the country's additional isolation. The ruler supported the reformation that served the interests of the English monarchy with most direct devices. From the 1530s, the king became the Anglican church's head, that is the kingdom's pope in England. The confiscation and sellout of church lands provided new impetus for the development of the English economy.

It proved to be of deciding significance, from the aspect of the development of England in the Modern Times, that the kingdom was settling down on the edge of the continental horizon in the medieval times. However, by the 16<sup>th</sup> century, at the time of the Atlantic discoveries, England found itself in the centre of an economy world's most important trade route. The hostile European environment pushed England powerfully toward the New Worlds. But the 16<sup>th</sup> century was not the age of splendid isolation yet, England was rather a fortress being bombarded. The French delegate reflects the continental dislike in a letter to Henry IV: the English hate us palpably, and this hatred is strong and general. In the 16<sup>th</sup> century, a fear of the European conspiracy was spread in England, and it was not unsubstantiated. France and Spain were political-military sources of danger for the insular country equally at that time. In the 16<sup>th</sup> and 17<sup>th</sup> centuries, the European economy world's management were in the hands of Antwerp, Genoa and Amsterdam. England responded to the economic challenges with seclusion. Hanse were deprived of its privileges in 1556 and lost the Stahlhof, their traditional London centre in 1595. In order to compensate the commercial role of Antwerp, the Gresham was founded (predecessor of the Royal Exchange) in 1566-68. In 1651 the Navy Law of Cromwell was directed against the Dutch intermediate trade. In the 16<sup>th</sup> and 17<sup>th</sup> centuries, England was an aggressive country with lots of tension and looking for their opportunities. There was nothing more important than the affirmation of its position. In 1749, a French diplomat characterized the insular country's inhabitants in the following way: the English consider their intentions a law, while their neighbours' laws for plain entrenchment.

## The pound sterling

The career of the pound sterling is unique in the modern history of the European money as it was able to keep its value continuously between 1561 and 1931. The pound sterling was introduced by Elizabeth I, on the suggestion of Thomas Gresham in 1560-61. This was the "Great Debasement" which was necessary because the value of the money, shilling and penny decreased catastrophically. The cost of the new currency was defined in 4 ounces of clear silver (1 ounce=30 gram), following this the pound sterling could be signalled with a straight line entirely until 1931 on the tableau of the value of European money.



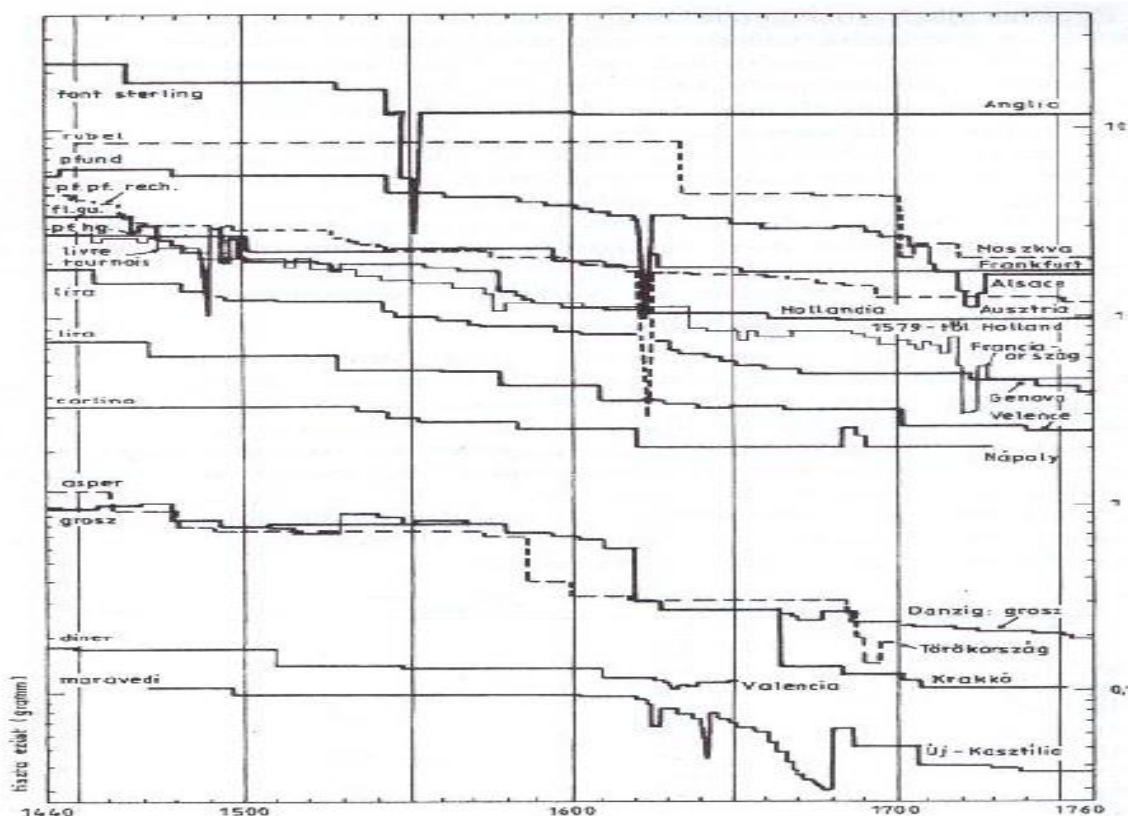


Figure 50. The establishment of the value of the European money expressed in the weight of clear silver between 1440 and 1760 (Rich, E.E.-Wilson, C.H. (eds.): *The Cambridge Economic History of Europe*, volume IV, *The Economy of Expanding Europe in the Sixteenth and Seventeenth Centuries*, London 1967, 458 p.)

The value of the pound sterling got into danger with one single occasion when an agricultural-industrial and political-confidential crisis shocked the English monarchy's institution in the 1690s. The secret of the solidity of the pound sterling was the uninterrupted good performance of the modern English economy. The monetary stability had a salutary effect on the growth of the economy since without financial stability it was not easy to get a credit opportunity. Neither financial greatness nor economic growth exists without a credit. Founded in 1694, the Bank of England became the cornerstone of the English banking system. The Bank of England could secure a credit without foreign guarantees since the pound sterling kept its value, and the kingdom may have outsourced money inside its borders.

## London and the English national market

London played a more critical role in modern England than any other cities in European countries in Modern Times. At the end of the 17<sup>th</sup> century, when the population number of England lagged behind France's or Spain's population far, London was the largest City in Europe with its 550,000 inhabitants. Toynbee wrote about the English capital: there is no other Western country where a single city overshadows the others, than London in England. 10 % of the English

population lived in London at the end of the 17<sup>th</sup> century, and the growth continued in a monotonous manner despite all epidemics and catastrophe. At the same time, France was occupied with the tug-of-war between Lyon and Paris, when England already had a head, but unambiguously a considerable sized one.

	England and Wales	Scotland	Ireland
1522-25	2,5	-	-
1545	3,0	-	-
1603	4,1	-	-
1670	5,8	-	-
1701	5,8	1,0	2,5
1731	5,9	-	3,0
1751	6,1	1,25	3,1
1761	6,6	-	-
1771	7,0	-	3,5
1781	7,5	-	4,0
1791	8,2	1,5	4,7
1801	9,2	1,6	5,2

Figure 51. The population number of the British islands between 1522 and 1801 (in a million heads) (Ch. Wilson-G. Parker (eds.): *An Introduction to the Sources of European Economic History (1500-1800)*, London 1977, 116 p.)

	after Wrigley	after Finlay and Shearer
1550	70,000	12,000
1600	200,000	200,000
1650	400,000	375,000
1700	575,000	490,000
1750	675,000	-
1801	900,000	-
1851	2,362,000	-

Figure 52. London's population number between 1550 and 1851 (Schwarz, L.D.: *London in the Age of Industrialisation*, Cambridge 1992, 126 p.)

London consists of four well-separable city mosaics. The City was the economic and financial capital while Westminster was the residence of the king, the parliament and the aristocracy. The harbour was built on the right coast of the Thames. On the left shore of the river, there was Southwark with 17 theatres already in 1629 (Cygne, Rose, Globe...). At that time, Paris had one single theatre altogether.

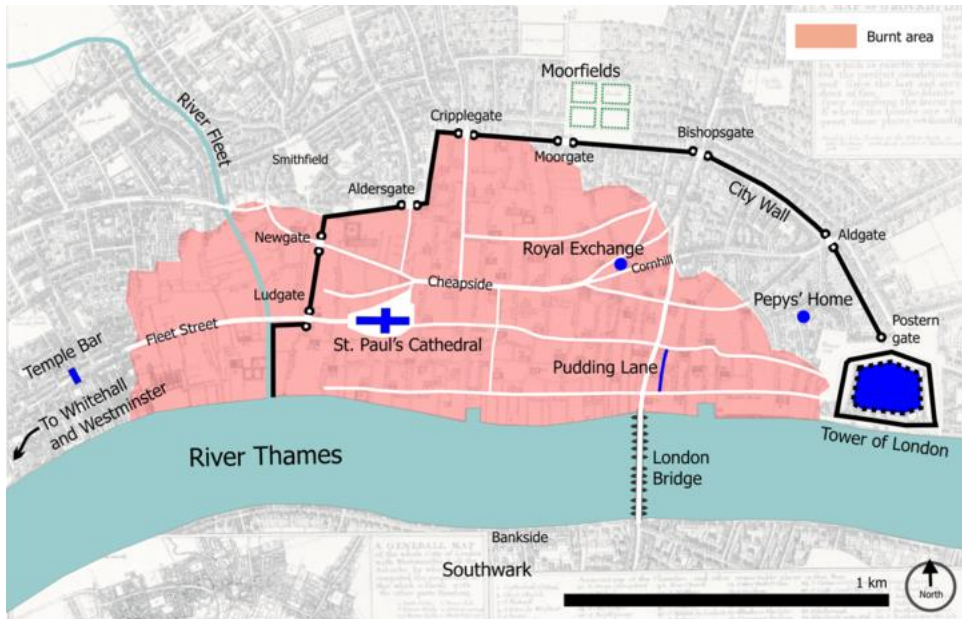


Figure 53. London in the time of the Great Fire in 1666 (<https://londonist.com/london/maps/where-is-the-west-end>)

All of the sectors of the English economy worked under London's management. The economic positions of the capital was strengthened by the fact that London was the grantee of the political and the economic centralization simultaneously, the flow of the goods by way of redistribution and the market supported each other. London's economy was based on the harbour because the 4/5 of the English foreign trade was launched from the capital. From the beginning of the 18<sup>th</sup> century, the English national market was directed from London and turned into a vigorous unit.

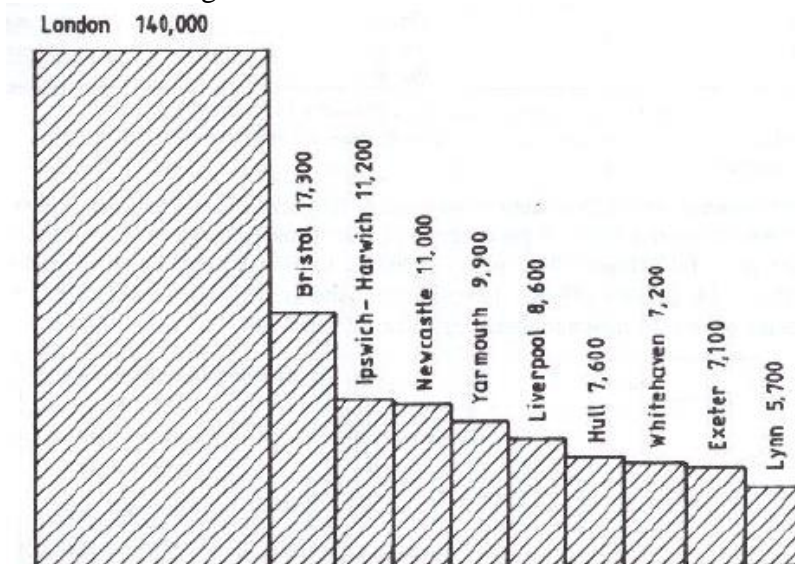


Figure 54. The size of the ship park of the most important English harbours around 1700 (in a ton) (Ch. Wilson-G. Parker (eds.): *An Introduction to the Sources of European Economic History (1500-1800)*, London 1977, 130 p.)



London made England uniform according to its own standards. The rural bank network was the most efficient device of this standardization built up by the Bank of England since 1695. Under the control and direction of London, a coherent English national market came into existence. Similar processes cannot be observed anywhere else in the continent.

## From England to Great Britain

In the Middle Ages, England was bordered by countries both on the North and West that can be approached difficultly, and lived mostly by shepherding Celtic population. The Welshmen, the Scots and the Irish resisted the English expansion, and the English ruler could not have placed these areas under control exclusively with violence. Wales was the province of the English crown since the 13<sup>th</sup> century, although taking advantage of the disturbances of the Hundred Years War, Wales became independent temporarily, in 1536 the English occupied Wales definitively, and it became the princely province of the heir finally. The Wales cattle export directed towards London were the monetary basis of the peaceful cohabitation that made the Wales nobility concerned in accepting the English king.

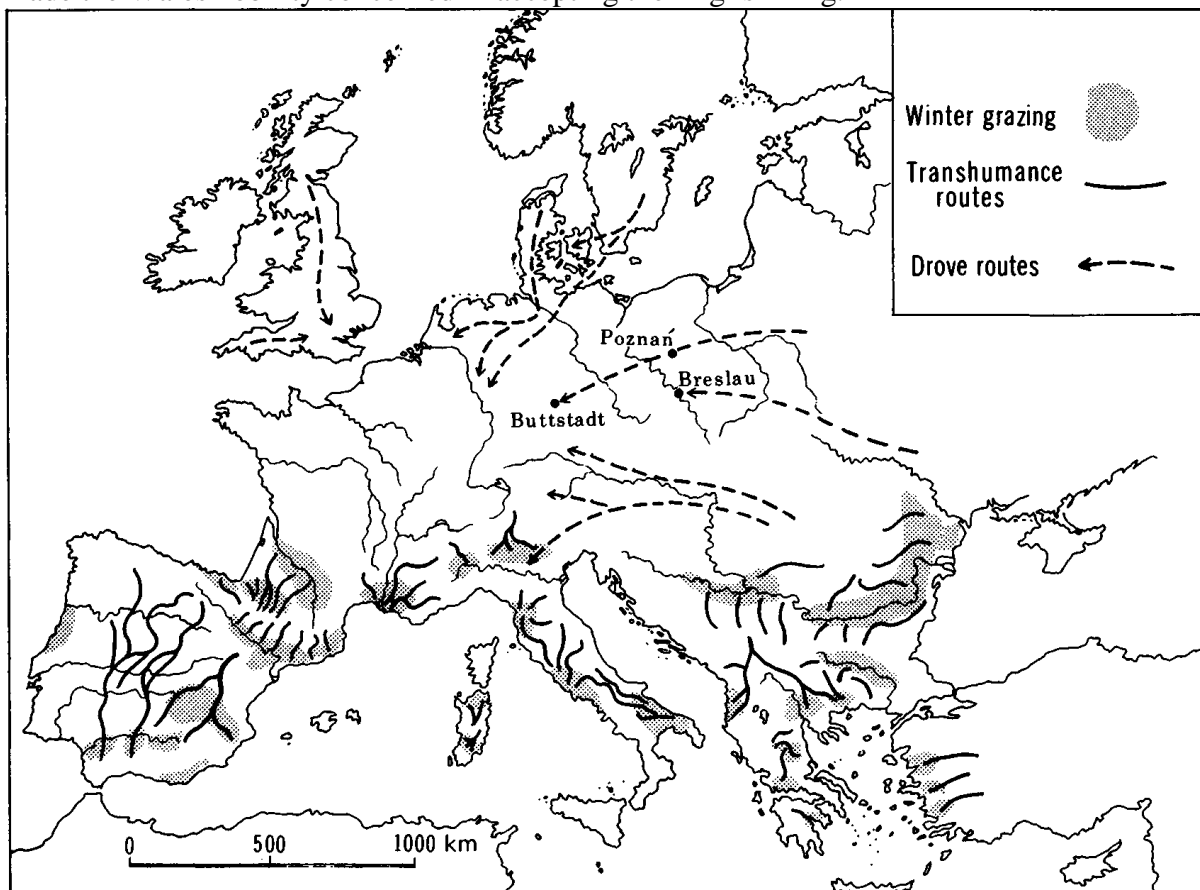




Figure 55. The transhumance livestock production and the driving routes of herds in Europe in the 16th century. The headwaters of the livestock exports the continent were the rarely inhabited areas and the targets were the advanced and strongly urbanized areas. In the traditional age, the only way of transporting raw food to a great distance was the livestock herding on the continent (N.J.G. Pounds: *An Historical Geography of Europe*, Cambridge 1990, 233 p.).

As opposed to Wales, Scotland kept its political autonomy in the Early Modern Times and lived in economic marginalization. The history of England and Scotland became connected in 1603 when the Scot king Jacob VI inherited the throne of Elizabeth I and became the king of England as Jacob I. Under the Stuarts, the two kingdoms were merged, but the customs frontier remained between the two countries, which prevented the English economic penetration.

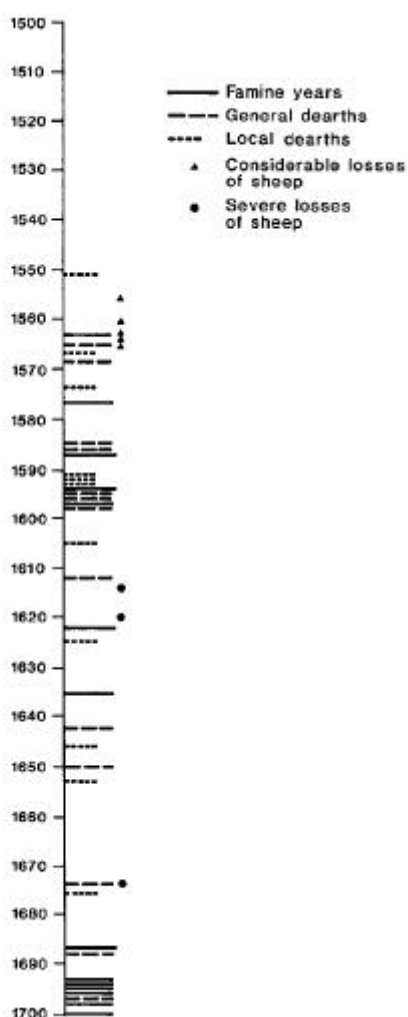


Figure 56. Subsistence crises (dotted line) and famines (continuous line) in East Scotland between 1550 and 1700. (H.H. Lamb: *Climate, History and the Modern World*, London 1982, 221 p.).

Scotland was a poor country in the 16<sup>th</sup> and 17<sup>th</sup> centuries with an archaic economy, and frequent severe famines (1695, 1696, 1698 and 1699). Although a

particular commercial development can be observed in Scotland at that time in ports: Leith, Edinburgh, Aberdeen, Dundee and Glasgow, the trade flow lagged far behind the performance of the English harbours. In 1694, the Scottish African Company was founded to become engaged in colonial trade, but this company went bankrupt soon because of the continuous capital shortage.

Due to the subsistence crises and the failures in commercial life, the Scot Parliament in Edinburgh proposed a union with England in 1707. The partnership yielded many benefits for Scotland, and the country did not entail substantive damage to its interests. Scotland was almost turned into an English province, though the country's considerable commercial profit originated from the relative detachment. The 18<sup>th</sup> century was the period of economic expansion in Scotland, between 1740 and 1790 the cattle export going to England was tripled, and the English fleet was a mighty big customer. The wool export was also growing in a similar proportion, and from the 1760s similarly to England, numerous cotton and a flax maker manufactories were founded. The English bank network developing in Scotland provided the necessary capital for agricultural and industrial investments. In the 18<sup>th</sup> century, the population of Edinburgh doubled. Around 1800, more than 10,000 guest workers lived in the new quarters of the Scot capital.



Figure 57. Scotland in the Early Modern Times (N. Canny: *Europeans on the Move. Studies on European Migration, 1500-1800*, Oxford 1994, 79 p.)

England never was hostile to Scotland, on a manner differing from Ireland. Due to the intensive economic contacts, the population of the Scot Lowland intensely followed the English lifestyle. In the

neighbourhood of Glasgow and Edinburgh, everybody spoke exclusively in English almost already in the 18<sup>th</sup> century. Celtic language was spoken merely on the area of the Scot Highlands, while on the Northernmost areas even a Norwegian dialect was preserved. As a consequence of the union, the border separating poor Scotland from wealthy England shifted to the North, to the boundary of the Scot Lowland-Highland.

The Irish were the largest losers of Great Britain's creation. English handled Ireland as a colony, and the situation of the Irish population was similar to the North American Indians. The early modern "development" of the Irish economy was identical to the American colonies. In the 16<sup>th</sup> century, the Irish island was covered mostly by large forests, but the English iron industry needed to import a considerable quantity of timber from Ireland because of the diminishing of the English woodlands, as a result of which the Irish island lost its forests totally almost under one single century.

In the 17<sup>th</sup> and 18<sup>th</sup> centuries, the Irish agriculture was conforming to the demands of the English economy specialized to the livestock production, and the salted meat exports (similarly to Scotland and Wales). Cork was the centre of these massive meat exports in South Ireland. The English fleet, the West Indian sugar islands and first of all France on the continent was supplied from here. The capacity of the South Ireland meat export and processing industry is shown by the example that only in the last three months of 1783, 50,000 cattle were slaughtered and processed in Cork slaughterhouses. It was therefore very strange for the European public opinion, to read the news about the regular Irish famines. The fundamental reason for emerging Irish famines was the structure of agriculture on the island. The majority of estates were in the hands of English-Scottish landowners specialized to the international market. The Irish peasants had a dwarf estate only where they produced potato almost exclusively because of the carrying capacity of the potato is five times higher than any cereals.

év	népesség	év	népesség	év	népesség
1687	2.167.000	1781	4.048.000	1871	5.412.377
1712	2.791.000	1785	4.019.000	1881	5.174.836
1718	2.894.000	1788	4.389.000	1891	4.704.750
1725	3.042.000	1790	4.591.000	1901	4.458.775
1726	3.031.000	1791	4.753.000	1911	4.390.219
1732	3.018.000	1821	6.802.000	1926	4.228.553
1754	3.191.000	1831	7.767.000	1936-37	4.204.476
1767	3.480.000	1841	8.175.000	1946-47	4.289.275
1772	3.584.000	1851	6.552.392	1951	4.329.587
1777	3.740.000	1861	5.798.564	1971	4.514.313

Figure 58. The establishment of Ireland's population number between 1687 and 1971. (D. Grigg: Population Growth and Agrarian Change, Cambridge 1980, 116 p.).

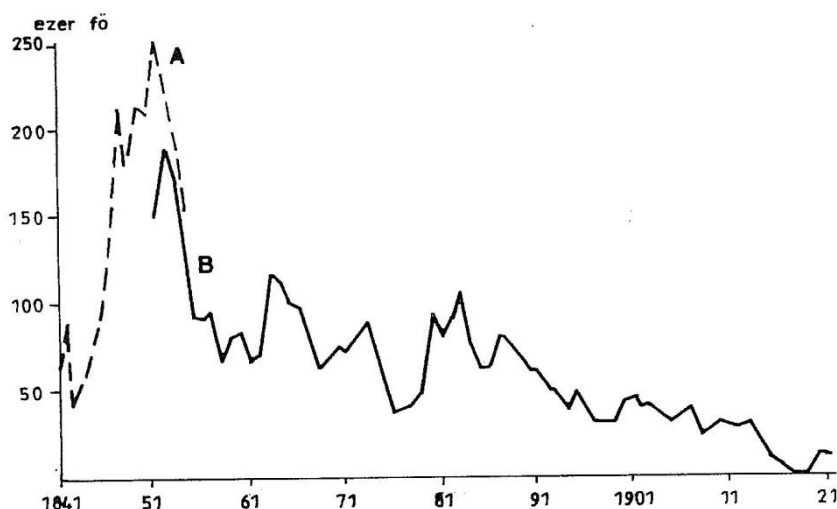


Figure 59. The waves of the Irish emigration between 1841 and 1921 (D. Grigg: *Population Growth and Agrarian Change*, Cambridge 1980, 116 p.)

As a result of the colossal mass of agricultural export, Ireland's annual commercial asset was around one million pound sterling in the 18<sup>th</sup> century. Though the deciding part of this profit was wandering to the English-Scottish landowner class who dominated the economy of Ireland. The French geographer Paul Vidal de la Blache wrote that Ireland was too near to England to escape, and was too big for assimilation, and suffered from the harmful consequences of this situation almost without an end.

## The English greatness and public debt

Paradoxically, the sign of the "good health" of the English economy (besides the stability of the pound sterling) was the huge sum and the dynamic growth of the public debt in the 18<sup>th</sup> century. In the 17<sup>th</sup> century, England requested government loans for short expiration and with high interest. The repayment of the credit was irregular, the government had to record newer credits often. Sometimes the crown suspended the refund of credits. Therefore it was a considerable risk to give credit for the Court. Between 1688 and 1892, at the time of the Glorious Revolution, the question of the credits was put on the list again. The new English government drew up its long-term credit strategy, in the framework of which the state guaranteed the repayment of credits. The Bank of England was founded in the framework of this financial program in 1694, and became the most important creditor of the English government.

The English public opinion received the financial consolidation in a very hostile way because existing taxes had to be increased and new ones imposed in order to be able to repay the accumulated interests. However, the English fiscal system turned into Europe's most efficient redistribution system in the 18<sup>th</sup> century. On the British islands, roughly 20% of the national income was streamed back into the central budget through taxes. At the same time, the French fiscal system was able to mobilize only 10% of its national income. An additional benefit of the English fiscal



system (differing from the continental taxation) was that it was primarily built on indirect taxes; the consumption taxes were in the centre of the budgetary system. This taxative technique can be hidden very easily and the English society accepted it more easily than direct taxes because they were more open for consumption.

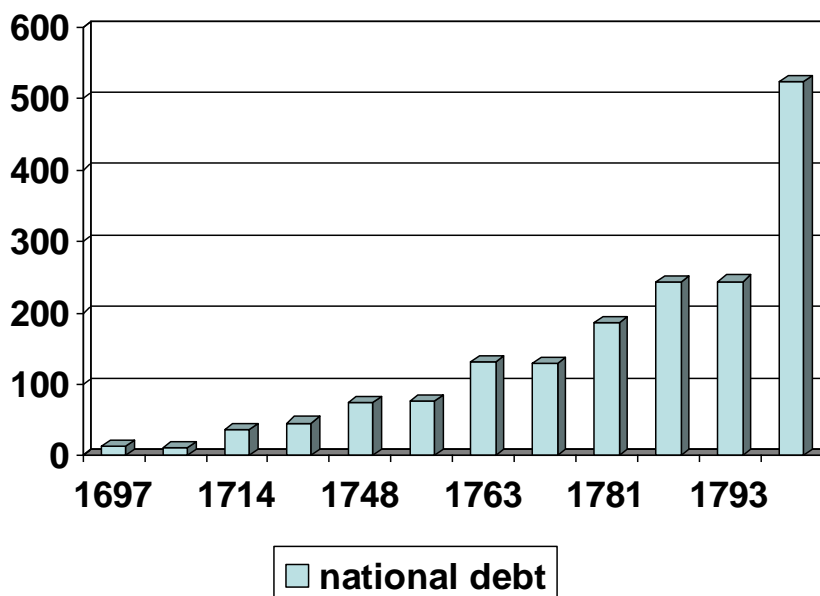


Figure 60. The establishment of the English public debt given in pound sterling between 1697 and 1802 (Ch. Wilson-G. Parker: *An Introduction to the Sources of European Economic History 1500-1800*, London 1977, 131 p.)

In the middle of the 18<sup>th</sup> century, the sum of the English public debt came close to 80 million pound sterlings already; however, contrary to the expectations, the English financial system did not collapse. In the 1820s, the English government owned 3/4 of the European states' full debt stock already. According to contemporaries, the considerable amount of credits played a determining role in the finance of the British economic growth in the 18<sup>th</sup> century. The strengthening British economy made use of the exterior financial sources efficiently and was capable of the repayment of the credits.

## QUESTIONS

### Definitions:

- When did the economic and military protection and control of the external borders of European countries begin?
- What is the difference between the economic structure of the territorial state and the city-state?
- How did Simon Kuznets define the concept of national income?
- What were the differences between the economies of Lyon and Paris in early modern times?
- When and why was the pound sterling introduced in England?

### Short essays:

- What were the levels of spatial-regional hierarchy in traditional Europe?
- Why did France fall victim to gigantism?
- How did London become the governing city of the world economy and England the central zone?

## BIBLIOGRAPHY

### General works

- Braudel, F.: *Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle*. Vol. 3, *Le temps du monde*, Paris 1979.
- Braudel, F.: *The Perspective of the World*. London 1984.
- Broadberry, S.- O'Rourke, K.H.: *The Cambridge Economic History of Modern Europe: Volume 1, 1700-1870*. Cambridge 2010.
- Canny, N.: *Europeans on the Move. Studies on European Migration, 1500-1800*. Oxford 1994.
- Cipolla, C.M. (ed.): *The Fontana Economic History of Europe*. Vol. 2, *The Sixteenth and Seventeenth Centuries*. London 1974.
- Cruz, L.- Mokyr, J.: *The Birth of Modern Europe (Library of Economic History)*. London 2010.
- De Vries, J.: *The Economy of Europe in an Age of Crisis (1600-1750)*, London 1976.
- Hohenberg, P.M.-Lees, L.H.: *The Making of Urban Europe, 1000-1950*, Cambridge 1985.
- Kamen, H.: *European Society, 1500-1700*. London 1984.
- Léon, P. (ed.): *Histoire Économique et Sociale du Monde*, tome 2, *Les hésitations de la croissance, 1580-1730*, Paris 1977-78.
- Léon, P. (ed.): *Histoire Économique et Sociale du Monde*, tome 3, *Inerties et révolutions, 1730-1840*, Paris 1977-78.
- Livi-Bacci, M.: *Population and Nutrition. An Essay on European Demographic History*, Cambridge 1991.
- Pounds, N.J.G.: *An Historical Geography of Europe*, Cambridge 1990.
- Pounds, N.J.G.: *An Historical Geography of Europe (1500-1840)*, Cambridge 1979.
- Rich, E.E.-Wilson, C.H. (eds.): *The Cambridge Economic History of Europe*. Vol. 4, *The Economy of Expanding Europe in the 16th and 17th Centuries*. Cambridge 1967.

### Territorial states

- Ardant, G.: *Théorie Sociologique de l'Impôt*, 2 vols., Paris 1965.
- Armstrong, J.: *Nations before Nationalism*, London 1982.
- Blitz, R.C.: *Mercantilist Policies and the Pattern of World Trade, 1500-1750*, *Journal of Economic History*, 27, 1977, pp. 39-55.
- Bean, R.: *War and the Birth of the Nation State*, *Journal of Economic History*, 33, 1973, pp. 203-221.
- Bouvier, J.-Perrot, J.C. (eds.): *États, fiscalités, économies*. Paris 1985.
- Shennan, J.H.: *The Origins of the Modern Europeans State, 1450-1725*. London 1974.

### France

Antoine, M.: L'administration centrale de finances de France du 16e au 18e siècle, in: Antoine, M. (ed.): *Le Dur Métier de Roi*, Paris 1986, pp. 31-60.  
Bonney, R.J.: *The King's Debts. Finance and Politics in France, 1589-1661*, London 1981.  
Braudel, F.-Labrousse, E.: *Histoire économique et sociale de la France*, tome 2, Paris 1970.  
Horn, J.: *Economic Development in Early Modern France: The Privilege of Liberty, 1650-1820*. Cambridge 2015.  
Markovitch, T.J.: *Histoire de l'industrie française*, Paris 1976.  
Mathias, P.-O'Brien, P.: Taxation in Britain and France, 1715-1810. *Journal of European Economic History*, 5, 1976, pp. 601-650.  
Meyer, J.: *Colbert*, Paris 1981.  
Morineau, M.: *Lyon l'italienne, Lyon la magnifique*, in: *Annales E.S.C.* 1974.

## England

Ashton, T.S.: *An Economic History of England: the 18th century*. London 1972.  
Feavearyear, A.E.: *The Pound Sterling. A History of English Money*. London 1963.  
Gould, J.D.: *The Great Debasement*, London 1970.  
Ormrod, D.: *The rise of commercial empires: England and the Netherlands in the age of Mercantilism, 1650–1770*, Cambridge 2008.  
Schwarz, L.D.: *London in the Age of Industrialization. Entrepreneurs, Labour Force and Living Conditions, 1700-1850*. Cambridge 1992.  
Willan, T.S.: *The Inland Trade*, London 1976.  
Willan, T.S.: *Rivers Navigation in England, 1600-1750*. London 1964.

## Scotland

Lythe, S.G.E.-Butt, J.: *An Economic history of Scotland, 1100-1939*. London 1975.

## Ireland

Canny, N.: *Kingdom and Colony: Ireland in the Atlantic World, 1560-1800*, London 1988.  
Crawford, E.M.: *Famine: The Irish Experience, 900-1900: Subsistence Crisis and Famines in Ireland*, Edinburgh 1989.