

Economic Powers and Political Powers in Early Modern Europe: Theory and History*

Hans Pohl

University of Bonn

I. Theory

In the following contribution on "Economic and political powers in early modern Europe: theory and history" I will focus on the relation and the interplay of forces between politics and economics in the space of about three hundred years. In the main, economics and politics have maintained a relationship of mutual interdependence. The economy was just as dependent on the framework that had to be guaranteed by the political sphere as the bearers of political power were dependent on the economic strength of their region as the basis of their power. During early modern times the relation between politics and economy began to change fundamentally: politics consciously influenced the economy and utilised it for its own purposes; the economy, on the other hand, revealed the possibilities of influencing *Realpolitik* in favour of its representatives.¹

In the first part of my paper I will deal with contemporary economic thought on the subject very generally, and in the second part I will consider selected aspects of the actual development of political and economic power in some European states.

* This paper was presented at the XXX Settimana di Studi of the Istituto Internazionale di Storia Economica Francesco Datini in Prato.

¹ Jan de Vries, *The Economy of Europe in an Age of Crisis, 1600-1750*, (Cambridge, 1976), pp. 236-237.

The beginning of the early modern age in the field of history of thought was heavily influenced by late Scholasticism and the Renaissance. The Renaissance gave emphasis to the rational and the individual, which found its entry into economic-political thought, while, with late Scholasticism, a strengthened tendency towards secularisation prevailed which was supported by the emergence of the so-called 'new sciences'. Consequently canonical economic ethics were not the only standard for economic action anymore. Rather the endeavour to reconcile the economic ethics of the church with the empirical economy stood in the forefront of theoretical-philosophical treatises. This was exemplified in the discussion about the 'just price' or about the prohibition of interest and usury. This discussion ran according to charged assumptions as it was conducted less according to ethical considerations and theological givens, and was more directed at practical questions.²

The sixteenth century was nevertheless a century of transition. One example is the German conflict about monopolies: between 1512 and 1530 the opponents and advocates of monopolies - for example the big Southern German trading companies (Fugger, Welser and others) - confronted each other.³ Against the backdrop of the European-wide 'price revolution' of the sixteenth century, the opponents of monopolies representing the old economic view denounced usury, greed, speculation and monopolies, which they regarded as personified in the big trading companies. In contrast to this, Konrad Peutinger, the son of an Augsburg merchant, knew how to explain the function of the trading companies within the whole national economy and thus how to point out the interdependence of individual economic sectors. Besides, he represented a new economic ethos by stressing the individual's freedom in the economy as well as individual striving

² Hermann Kellenbenz, "Wirtschaft und Gesellschaft Europas 1350-1650", in: Wolfram Fischer et al. (ed.), *Handbuch der europäischen Wirtschafts- und Sozialgeschichte*, Vol. 3, (Stuttgart, 1986), p. 28; Gerhard Kolb, *Geschichte der Volkswirtschaftslehre. Dogmenhistorische Positionen des ökonomischen Denkens*, (München, 1997), pp. 9-14; Franz Mathis, *Die deutsche Wirtschaft im 16. Jahrhundert*, (München, 1992), p. 67.

³ Hans Haussherr, *Wirtschaftsgeschichte der Neuzeit*, 4th edn., (Köln, 1970), pp. 78-79.

for efficiency and profit.⁴ Consequently he turned against regulation by public authorities, for example the regulation of trade and prices. In his eyes the 'propria utilitas' of the individual businessman was connected with the 'commoditas publica' of all authorities and states. Peutingger already pointed in the direction of liberalism by attempting to guarantee freedom, private initiative and free price-determination on the market. Even though he was able to support theoretically the arguments of the opponents of monopolies, the Imperial Diet accepted a prohibition of monopolies in its advice 1530. So the traditional economic thought of the guilds prevailed. The advice of 1530 continued to be the guideline for the economic policy of the Imperial Diets until the end of the Holy Roman Empire. In practice, though, it had few consequences as emperor Charles V took care that it was not applied to the Fugger and Welser because he was financially dependent on them.⁵ Here one finds an interesting starting point for the question of the relations between politics and economy.

The effect of Protestantism upon the economic thought of early modern times is still being debated. Although Calvin's economic ethics acknowledged diligence, work productivity and the resulting prosperity and thus morally legitimated entrepreneurial (handcraft, industrial, commercial) activity, he turned against the practices of the big trading houses in agreement with Luther and other reformers. Even though areas do exist where Reformation and early industrialisation coincided - for example, Switzerland - the connection between Protestant economic ethics and early capitalism cannot be globally postulated.⁶

A new phase of economic thinking that is generally referred to as *mercantilism* was fostered by the emergence of absolutist nation

⁴ Kellenbenz, *Wirtschaft und Gesellschaft Europas*, pp. 30-32; Kellenbenz, "Monopole", in *Handwörterbuch zur deutschen Rechtsgeschichte*, Vol. 3, (Berlin, 1984), p. 636.

⁵ Kellenbenz, *Wirtschaft und Gesellschaft Europas*, p. 32; Mathis, *Die deutsche Wirtschaft*, p. 69.

⁶ Kolb, *Geschichte der Volkswirtschaftslehre*, p. 15; Mathis, *Die deutsche Wirtschaft*, pp. 65-67; Kellenbenz, *Wirtschaft und Gesellschaft Europas*, pp. 29-30.

states, absolutist sovereign princely states in Germany and aristocratic republics in Italy (Venice, Genoa). Preconditions were, on the one hand, the gradual emergence of territorial states and, on the other hand, the adoption of the doctrines based on *raison d'état* and sovereignty of the prince in whose hands unlimited public authority was supposed to lie.⁷ Of interest here are especially Niccolò Machiavelli and Jean Bodin who, pursuing the goal of state expansion, included the economy as the responsibility of the state, and concluded that the economy should even be subjected to the state. "Every absolutism simultaneously sought economic strength."⁸ So mercantilism, as the predominant economic teaching in the age of absolutism, was also characterised by the close connection between economic and power-political objectives. Although it did not constitute an economic theory, but has to be understood as a "collection of practical business instructions",⁹ it was still rooted in economic thought which had completely changed since the Middle Ages as it was based on deeper insight into the economic process and its evolution. In this respect it was "surely more than an incoherent co-existence of recommendations in economic policy".¹⁰

All the exponents of mercantilism believed that the advancement of the national economy was placed at the service of the political and military power of the state. Thus the economy was subjected to the state. Depending on the starting conditions, different national varieties of mercantilism came into existence. For example, *commercialism* with its orientation towards the promotion of foreign trade was characteristic of England and the Netherlands. The specific French version, with its far-reaching and austere state regulation, is referred to as *Colbertism*. In Germany, on the other hand, *Kameralismus* prevailed, which was mainly geared towards fiscal

⁷ Richard van Dülmen, *Die Entdeckung des Individuums*, (Frankfurt a. M., 1997), p. 126.

⁸ Herbert Hassinger, "Politische Kräfte und Wirtschaft 1350-1800", in: Hermann Aubin/Wolfgang Zorn, *Hand-buch der deutschen Wirtschafts- und Sozialgeschichte*, Vol. 1 (Stuttgart, 1971), pp. 608- 609, p. 612.

⁹ Rainer Gömmel/ Rainer Klump, *Merkantilisten und Physiokraten in Frankreich*, (Darmstadt, 1994), p. 78.

¹⁰ Kolb, *Geschichte der Volkswirtschaftslehre*, p. 17.

objectives.¹¹ There were not only regional differences but also differences in regard to chronological order. England undertook the transition to mercantilism around 1623 until mercantilism was overtaken by the beginnings of industrialisation in the middle of the eighteenth century. In Germany the end of the Thirty Years War (1648) marked the beginning of mercantilism which reached its zenith in the eighteenth century. In France mercantilism began with the assumption of office by Colbert in the year 1660 and ended with the death of Louis XIV (1715). From the viewpoint of economic *theory*, of course, other cornerstones could be mentioned. The question as to whether and when mercantilism asserted itself, for example, in Holland, Russia, Spain and Italy is much more controversial and has to be treated in a more differentiated way. It is not the task of this introductory lecture to go into these details. In general, though, mercantilism can be dated to the seventeenth and eighteenth centuries.

What were the contents of mercantilist economic policy? The point here is not a critical assessment of this policy but its relevance to the relation between politics and economy. In most European countries two focal points crystallized around the service of the absolute state: the strengthening of the national economy and foreign-trade policy. Starting from the assumption that raw materials and, especially, stocks of precious metals were more or less constant, the mercantilists argued for an active balance of trade and payments so that as much precious metal and money as possible would flow into their own country.¹² Accordingly, imports of raw materials were principally favoured while the import of finished goods was obstructed (Navigation Acts, tariff legislation).¹³ Moreover, the national economy was supposed to be able

¹¹ Friedrich Wilhelm Henning, *Handbuch der Wirtschafts- und Sozialgeschichte Deutschlands*, Vol. 1 (Paderborn et al., 1991), p. 763; Kolb, *Geschichte der Volkswirtschaftslehre*, p. 16, pp. 20-21, pp. 25-26, pp. 28-29; Fritz Blaich, *Die Epoche des Merkantilismus*, (Wiesbaden, 1973), pp. 16-18.

¹² Kristof Glamann, "Der europäische Handel", in: Carlo M. Cipolla/ Knut Borchardt, *Europäische Wirtschafts-geschichte*, Vol. 2 (Stuttgart/ New York, 1983), p. 273.

¹³ Helga Schultz, *Handwerker, Kaufleute, Bankiers. Wirtschaftsgeschichte Europas 1500-1800*, (Frankfurt, 1997), p. 168.

to replace foreign with domestic products or to produce for export. Apart from protective duty measures, mercantilist economic policy therefore included subsidies for enterprises, concessions in tax privileges, monopolies in trade and production, especially for manufactures. The state did not only intervene in the economy but finally became an entrepreneur itself. Of course only the main developments have been referred to. The policy of *Peuplierung* (population and settlement), the policy regarding specie, the agricultural and the domestic transport policy have to be mentioned as additional examples.¹⁴ Besides, the construction of an efficient financial administration often accompanied the measures in economic policy. Finally, it should be concluded with respect to practical economic policy that mercantilism had a different character according to the initial position of the European states.

Mercantilism was superseded by the Physiocratic School that emerged in the second part of the eighteenth century in France. Its founder, François Quesnay (1694-1774), pictured in his 'Tableau économique' (1758) the economy as cyclical. In contrast to mercantilism agriculture was considerably upgraded in Physiocratic teaching, as it was seen as the foundation of every economy.¹⁵ 'Lorsque l'agriculture prospère, tous les autres arts fleurissent avec elle.' This narrowed view of the physiocrats became the starting point for their critics. Another characteristic of the physiocratic system was a financial doctrine that was based on a uniform taxation of landlords alone that had been designed by the Marquis de Mirabeau in his work *Théorie de l'impôt* (1760).¹⁶ Outside of France, the School of the Physiocrats found only a few supporters, perhaps with the exception of Germany and there especially the Mark Brandenburg. The economic-political demand for *laissez-faire* goes back to Mirabeau as well, preceding the economic liberalism of Adam Smith. Before 1800, though, the ideas of

¹⁴ Fritz Blaich, "Wirtschaftspolitik und Wirtschaftsverwaltung", in: Hans Pohl *et al.* (ed.), *Deutsche Verwaltungsgeschichte*, Vol. 1, (Stuttgart, 1983), p. 430.

¹⁵ Blaich, *Wirtschaftspolitik und Wirtschaftsverwaltung*, p. 431.

¹⁶ Hausscherr, *Wirtschaftsgeschichte der Neuzeit*, p. 278.

liberalism in Europe did not achieve major importance - neither in the theory nor in the practice of economic policy.¹⁷

Who were the bearers of political power pursuing economic policy? In the transitional period from the late Middle Ages to the modern age, apart from the emerging national and territorial states, aristocratic and ecclesiastical rulers were the main authorities as well as towns and guilds. The European city states constituted a peculiarity because there merchants and craftsmen were decisively participating in government, that means in formulating economic policy as well, and influencing government. This did not infrequently result in a relatively liberal economic policy because politics and economy were partly embodied in personal relations. But in the course of the period under consideration, the city states from Venice to the Hanse were more and more pushed into the background by the emerging nation states.¹⁸

In the German Empire of the seventeenth and eighteenth centuries a dualism in economic policy can be observed. On the one hand there were the *Reichsstädte*, the imperial cities, independent of the rest of the country, mostly favouring free trade, on which their economic basis and, therefore, also their political success rested. On the other hand there were in Germany - and also in Middle Europe - the territorial states of the seventeenth and eighteenth centuries whose economic policy was geared to strengthening government revenue. Their mercantilist economic policy was frequently directed against the interests of towns and guilds. This can be distinctly exemplified in the economic wars of the seventeenth and eighteenth centuries which the towns, committed to free trade, opposed, while the German Empire and the European nation states conceived economic wars and the fixing of protective duties as a means of stimulating their economy.¹⁹

¹⁷ Kolb, *Geschichte der Volkswirtschaftslehre*, pp. 40-43.

¹⁸ Kellenbenz, *Wirtschaft und Gesellschaft Europas*, pp. 99-100.

¹⁹ Hans Mauersberg, *Wirtschafts- und Sozialgeschichte zentraleuropäischer Städte in neuerer Zeit*, (Göttingen, 1960), p. 296, p. 303; Henning, *Handbuch der Wirtschafts- und Sozialgeschichte*, pp. 764-765; Kolb, *Geschichte der Volkswirtschaftslehre*, p. 16.

II. History

Considering the complexity of the subject, the question as to how the relations between economic and political powers developed in early modern times can only be illustrated in the light of certain fields of conflict. The main problem with this approach lies in the fact that often the bearers of economic and political power are difficult to separate from each other, for they were usually both closely interconnected; bearers of political power pursued economic interests just as economic groups strove for political power to obtain advantages for their business.

In my opinion the following subjects best illuminate the recurring themes of economic-political problems and conflicts in early modern Europe:

1. Towns and territories, considering conflicts within towns as well as the areas of conflict between towns, territories and central power.

2. Trade, because of its central importance: territorial policies of trade, the role of big trading houses and the interaction of economic and political interests in trading companies.

3. The concrete involvement of territorial sovereigns, starting with the princes, who were entrepreneurs themselves until the beginnings of a territorial economic policy in the individual regions.

4. Land: the secular and the ecclesiastical manorial systems.

1. "Towns and Territories": Conflicts within Towns, Guilds, Territorial Sovereigns

a) Conflicts within Towns and the Guilds as an Impediment to Economic Progress

Commercial capitalism created a new stratum of affluent citizens in the towns who had economic power without participating in the political rule of the old patrician families. This situation created an enormous potential source of conflict which led to countless clashes

within the towns.²⁰ However, the economic changes or the emergence of new economic elites had a different effect on the relations of the political powers in different towns.

In many European regions conflicts occurred within the towns between old and new elites. In England, the power of the guilds - the English term guilds includes both the German terms *Zünfte* and *Gilden*, here I am referring to the craftsmen's association, i.e. *Zünfte* - led in many places to the progress of rural industry (*Verlagswesen, Protoindustrialisierung*) as young entrepreneurs left the area ruled by the guilds. In the Netherlands, the guilds participated in the rule of towns,²¹ but their power always stayed within the limits allowed by the patrician families and the territorial rulers.²² In numerous conflicts, two aspects were linked to each other: the intra-urban conflict between old and new economic powers and, outside the towns, the revolt against the territorial ruler. In most cases, the internal estrangement of the towns led to their successful subjugation by the territorial sovereign. As a consequence, the town council was from now on controlled by the territorial ruler and the guilds lost all their political power.²³

In some cities like Florence and the English port towns, new dynamic groups, such as newly affluent merchants and those active in export production, participated in political leadership. This led to the inclusion of economic policy as an important integral part of politics as a whole. In other towns like some German imperial cities (Cologne, Aix-la-Chapelle) the lack of integration of newly rising groups and also religious intolerance led to the paralysis of production and trade. On the other hand, the example of Hamburg shows that tolerance towards foreigners and persons of different faith in economic life did not at all mean

²⁰ Otto Kraus, *Staat und Wirtschaft. Grundprobleme der Wirtschaftspolitik in historischer Beleuchtung*, (Hamburg, 1959), pp. 85-87.

²¹ Jan de Vries/ Ad van der Woude, *The First Modern Economy. Success, Failure, and Perseverance of the Dutch Economy, 1500-1814*, (Cambridge, 1997), p. 582.

²² Horst Lademacher, *Geschichte der Niederlande: Politik - Verfassung - Wirtschaft*, (Darmstadt, 1983), pp. 21, 39-40.

²³ Schultz, *Handwerker, Kaufleute, Bankiers*, p. 116.

emancipation or participation of these groups in political power (membership in the municipal council or other political offices).

Economic decline was often the consequence of conflict within towns. Alongside this, another source of continuous conflict affecting towns in early modern Europe is touched upon: the struggle for the self-assertion of the towns' economic power against the centralizing efforts of the emerging European states.²⁴

b) Power Struggles between Towns and Territorial Sovereigns

The fact that economic and, therefore, also political power was concentrated in the towns was the starting point for many of these conflicts. This concentration might be seen as a threat by the state authority, but in any case the territorial ruler was interested in winning influence over this more or less independent power. Admittedly, his goal consisted in consolidating or enlarging his own political power and strengthening his financial power by the means of taxes. The struggle between urban self-government and absolutist expansion of power continued from the late sixteenth to eighteenth century Europe, with very different outcomes according to individual circumstances.²⁵

In Castile, the suppression of the various economic elites in Comunero's rebellion led to the establishment of monarchical rule in the long term and provided access to Spain's economic, financial and human resources for the Crown.²⁶

In France, the autonomy of the towns had been considerably curtailed since the introduction of 'intendants' in the seventeenth century who took over control of the towns' budgets and economic regulations as well as police tasks.²⁷

²⁴ Mauersberg, *Wirtschafts- und Sozialgeschichte*, pp. 292-293.

²⁵ *Ibid.*, p. 312.

²⁶ Horst Pietschmann, "Von der Gründung der spanischen Monarchie bis zum Ausgang des Ancien Régime", in Walther I. Bernecker/ Horst Pietschmann, *Geschichte Spaniens*, 2nd edn., (Stuttgart, 1997), p. 96.

²⁷ Wolfgang Mager, *Frankreich vom Ancien Régime zur Moderne. Wirtschafts-, Gesellschafts- und politische Institutionengeschichte 1630-1830*, (Stuttgart et al., 1980), p. 138.

The situation varied a lot within the German Empire: while the imperial cities enjoyed a relatively large degree of independence, the capitals of the territories usually felt the grip of the territorial sovereign. The permanent wish of the territorial sovereign to raise taxes - that is to increase his revenues - played a very large role. Particularly so, since with the increasing concentration of power at the time of rising Absolutism in the late sixteenth century, and especially after the end of the Thirty Years War, the costs of the sovereign's household increased steadily, the growing administrative machinery had to be financed and more and more expensive standing armies were raised.²⁸

Hamburg occupied a special position among the declining Hanse cities: its attractiveness and economic power ensured its freedom and neutrality, because no other territory would allow other powers to seize Hamburg and grant it a corresponding enlargement of power.²⁹

2. "Trade": Monopolies, Subsidies, Privileges, Trade Companies, Foreign-Trade Policy and War Policy

During early modern times trade in general and long-distance trade in particular played a major role.³⁰ Because of this importance there were numerous and complex relations between politics and the economy.

The mutual dependence between politics and the economy becomes apparent in the decline of the Hanse. One important reason for the failure of the economic power of the Hanseatic towns was the lack of political support: with the strengthening of territorial and nation states the merchants in the latter gained advantages, privileges and political protection in contrast to the Hanseatic merchants whose former privileges became irrelevant. Consequently, in many trading

²⁸ Mauersberg, *Wirtschafts- und Sozialgeschichte*, pp. 314-315.

²⁹ *Ibid.*, p. 313.

³⁰ Glamann, *Der europäische Handel*, p. 271.

centres Hanseatic traders were ousted by privileged local traders. The Merchant Adventurers Company was one of the best known examples of this anti-Hanseatic policy. The massive state support that the English government gave to its own overseas merchants weakened the Hanse in the British Isles in a lasting way and enabled British merchants to establish themselves in the 1560s on the continent - for example in Emden, Stade and Hamburg.³¹

Considering the great commercial powers of England and the Netherlands in particular, it becomes clear how far economic potential could increase on the basis of political power. In the long-distance trades with their overseas colonies England and the Netherlands had a clearly more favourable initial position than other European countries, so that it became quite simple for them to become committed to free trade. Here economic and political power complemented each other perfectly. The lasting significance of this development lies in the fact that London and Amsterdam continued to be the most important international financial and commercial markets in Europe until the twentieth century.³²

Policy in the Netherlands was shaped by economic interests in general and trade interests in particular. Dutch foreign policy openly made itself trade's assistant in early modern times.³³ In most cases, the politically influential trade was able to impose its economic interests against those of the craftsmen. Amsterdam, for example, which, as a staple market profited from free trade and was dependent on it, successfully opposed duties on the import of semi-finished products and on the export of raw materials that were supposed to protect trade and crafts against foreign competition. On the whole, only very few import and export prohibitions were introduced during the seventeenth and eighteenth centuries. The

³¹ Mathis, *Die deutsche Wirtschaft im 16. Jahrhundert*, p. 73.

³² Friedrich Wilhelm Henning, *Das vorindustrielle Deutschland 800 bis 1800*, (Paderborn, 1974), p. 241.

³³ M. N. Pearson, "Merchants and States", in: James D. Tracy (ed.), *The Political Economy of Merchant Empires*, (Cambridge, 1991), pp. 86-87.

prohibition of the export of clay in 1693 to protect local potteries and pipe makers against Frisian competition was an exception to the rule.³⁴

In the middle of the seventeenth century (1666) three-fifths of the capital that was traded on the Amsterdam stock exchange was tied to the trade with the Baltic Sea where the Netherlanders had asserted themselves against the competition of the Hanse and the English in the course of the sixteenth century. Trade in the Baltic Sea was much more important for the Netherlands than intercontinental trade was.³⁵ Because a secure passage in the Baltic Sea was a basic requirement, the relations with Denmark and Sweden were of such central importance to the Netherlands that in 1645 a Dutch fleet even intervened in a Swedish-Danish war.³⁶ That is, a state intervened in an international political conflict for economic reasons alone.

Amsterdam, in particular, also had considerable political influence because of its outstanding economic strength as a trading centre, which the city used to subordinate politics as a whole to trade policy.³⁷ Moreover, Amsterdam succeeded in controlling other competing trading centres politically in the long term.³⁸ Among these competitors was Antwerp, belonging to the Spanish Netherlands. After Antwerp had lost its access to the North Sea by the closure of the Schelde in the conflict between Spain and the Union,³⁹ Amsterdam attempted to further consolidate its position as a trading centre at the expense of Antwerp, which led to conflicts between Amsterdam and the Zeeland towns. These attempted to secure a

³⁴ Jan A. van Houtte, "Die Niederlande" 1650-1850, in: Wolfram Fischer *et al.* (ed.), *Handbuch der europäischen Wirtschafts- und Sozialgeschichte*, Vol. 4, (Stuttgart, 1993), p. 335.

³⁵ Michael North, *Geschichte der Niederlande*, (München, 1997), p. 48.

³⁶ Pearson, *Merchants and States*, p. 85.

³⁷ Ernst Baasch, *Holländische Wirtschaftsgeschichte*, (Jena, 1927), p. 13; Pearson, *Merchants and States*, p. 84.

³⁸ Baasch, *Holländische Wirtschaftsgeschichte*, p. 13.

³⁹ Herman van der Wee, "Die Niederlande 1350-1650", in Wolfram Fischer *et al.* (ed.), *Handbuch der europäischen Wirtschafts- und Sozialgeschichte*, Vol. 3, (Stuttgart, 1987), p. 599.

trade monopoly with the Spanish Netherlands for their merchant by means of special duties at the expense of Holland. Zeeland and Brugge concluded respective treaties in 1591 and in 1596.⁴⁰

While the decline of the Hanse and the increasing strength of states and their economic power necessitated political support for the economy, there are, on the other hand, numerous examples in long-distance trade in early modern Europe of the assertion of economic power over politics. For instance, many European princes were deeply in debt to the big trading houses or merchant banks so that they not only had to grant them privileges but also had to fulfill their other wishes as in the case of the Fugger and Charles V.⁴¹

The traders from Genoa, to whom Charles V was deeply in debt as well, could also display their economic strength politically. The trade with America via Seville, for example, was made more difficult for foreign traders by means of legal requirements in which foreigners alone were burdened with the risks of overseas transport. These requirements were not applied to the Genoese for they had played a decisive role in the financing of the merchant fleet and therefore did not have to accept the oppressive conditions because of their strong position.⁴²

The above mentioned Merchant Adventurers found themselves in a similar situation, because in their efforts to gain an absolute monopoly in the cloth trade they were able to take advantage of the fiscal problems of the English Crown and thus acquire important privileges through a skilful loan policy.⁴³

a) The New World: Spain's and Portugal's Colonial Policy and Colonial Trade

Since 1503, Spain's monopoly trade with its American

⁴⁰ Baasch, *Holländische Wirtschaftsgeschichte*, p. 14.

⁴¹ Kellenbenz, *Monopole*, pp. 634-635; *passim*. Fritz Bläich, *Die Reichsmonopolgesetzgebung im Zeitalter Karls V. Ihre ordnungspolitische Problematik*, (Stuttgart, 1967).

⁴² Jacob van Klaveren, *Europäische Wirtschaftsgeschichte Spaniens im 16. und 17. Jahrhundert*, (Stuttgart, 1960), pp. 110-114.

⁴³ Jürgen Wiegandt, *Die Merchants Adventurers' Company auf dem Kontinent zur Zeit Tudors und Stuarts*, (Kiel, 1972), p. 116.

colonies had been supervised by the state-run trading house in Seville, the *Casa de la Contratación*. It was invested with numerous judicial and administrative powers, such as, for example, the granting of licences, registration, collection of duties and control of shipping.⁴⁴ The *Casa's* control, though, was only moderately successful in the long term because a flourishing smuggling trade had been emerging since the middle of the sixteenth century in which corrupt supervisory government bodies participated as well.⁴⁵ Despite this control the principle of private economy in Spanish colonial trade policy remained untouched. The Crown was interested in tax revenue and therefore left the economic exploitation of the colonies to private entrepreneurs.⁴⁶

In Portugal, too, overseas colonial trade was subject to governmental control through the *Casa da Índia* in Lisbon.⁴⁷ In comparison with Spain the Portuguese colonial economy with its system of trading posts was much more monopoly-based. These state-run institutions which existed in numerous places in Europe, for example in Flanders, but also in other continents, were the coordinating points for Portuguese trade. Their task of distributing trade goods was widened in the colonies and they additionally supervised the production in their region.

Apart from the trade controlled by the *Casas*, both nations developed a monopolistic trade for certain commodities and regions by treaties with merchants (*asientos*).⁴⁸

A common characteristic shared by Spain and Portugal, though, lies in the fact that the special interest of the Portuguese and the Spanish Crowns in overseas enterprises led in the long term to the

⁴⁴ Hans Pohl, *Die Wirtschaft Hispanoamerikas in der Kolonialzeit (1500-1800)*, (Stuttgart, 1996), p. 120.

⁴⁵ Pohl, *Die Wirtschaft Hispanoamerikas*, p.120; Hausherr, *Wirtschaftsgeschichte der Neuzeit*, p. 59.

⁴⁶ Hausherr, *Wirtschaftsgeschichte der Neuzeit*, p. 59.

⁴⁷ Luís A. de Oliveira Ramos, "Portugal 1500-1650", in: Wolfram Fischer *et al.* (ed.), *Handbuch der europäischen Wirtschafts- und Sozialgeschichte*, Vol. 3, (Stuttgart, 1986), p. 818; Hausherr, *Wirtschaftsgeschichte der Neuzeit*, pp. 50-51.

⁴⁸ Oliveira Ramos, *Portugal 1500-1650*, p. 818.

neglect of industry and agriculture in the mother countries, and in the colonies as well.⁴⁹

b) Trading Companies

A new phase in the development of trading companies began with the foundation of the privileged overseas trading companies in England (1600) and the Netherlands (1602) which was characterised by an especially close alliance between politics and economy. The English and the Dutch East Indian Companies did not only pursue economic goals but were also invested with the political task of developing and ruling the regions overseas. Within the colonies the trading companies appeared on the scene as political administrative bodies and they were guaranteed extensive government privileges. This development was not only closely connected with the colonisation movement but was also part of the extension of absolute rule and mercantilist economic policy.⁵⁰

In England government influence over the trading company remained small. The company developed into a state within a state with its own officials, doctors, and its own schools independent of the government.⁵¹ But it had obtained a tangible privilege with the help of numerous Navigation Acts since the sixteenth century which stipulated that trade goods were only allowed to be transported to England on English ships. In this case economic and political objectives were connected in a remarkably symbiotic way for two reasons: on the part of the state the aim of the Navigation Acts was to support national trade, but at the same time this support was supposed to increase the stock of ships on which England could draw in case of war in a very concrete way.

The Dutch trading company had a strong position as well. Already at the time of the foundation of the *Vereenigde Oost-*

⁴⁹ Haussherr, *Wirtschaftsgeschichte der Neuzeit*, pp. 48-63.

⁵⁰ Schultz, *Handwerker, Kaufleute, Bankiers*, pp. 155-158.

⁵¹ Wilhelm Treue, "Das Verhältnis von Fürst, Staat und Unternehmer in der Zeit des Merkantilismus", in *Vierteljahresschrift für Sozial- und Wirtschaftsgeschichte* 44 (1957), pp. 26-56.

Indische Compagnie (VOC) in the form of a licensed joint-stock company, sovereign rights had been transferred to it from the States General. The VOC was allowed to build forts, raise soldiers, and conclude treaties with foreign rulers.⁵² At first some activities of the VOC were subject to supervision by the States General, but already in the middle of the seventeenth century the relations between the States General and the leadership of the VOC were so close that they could operate without control: in contrast to England the leadership in both institutions was held by the same persons.⁵³ The preferential treatment of the VOC was motivated by the hope of the States General that the VOC would be able to oust the Spanish and the Portuguese through its activities overseas. Fiscal reasons played a role as well, because with each renewal of the privileges money flowed from the company to the States General. Moreover, the VOC lent money or ships to the States General several times - for example 20 ships during the second Anglo-Dutch war.⁵⁴

So the Dutch company was just as powerful as the English company. It was different in as far as it was officially independent but closely associated with the government because of the personal connections.⁵⁵ Perhaps it was especially to this circumstance that the VOC owed its success in the end.

In the wake of the success of the English and Dutch companies trading companies were founded in other countries as well. Closely modelled on the Dutch and English example were the East India Companies of Denmark (1616), Sweden (1626), Spain (1701) and Austria (1722).

In France, the foundation of the East India Company goes back to Colbert's efforts. Here nothing was done, though, to provide the trading company with the liberties that would have been necessary develop entrepreneurial influence.⁵⁶ Instead, the French King

⁵² De Vries/ Van der Woude, *The First Modern Economy*, p. 385.

⁵³ North, *Geschichte der Niederlande*, p. 50; Pearson, *Merchants and States*, pp. 85-86.

⁵⁴ Pearson, *Merchants and States*, p. 86.

⁵⁵ Treue, *Das Verhältnis von Fürst, Staat und Unternehmer*, p. 44.

⁵⁶ Schultz, *Handwerker, Kaufleute, Bankiers*, pp. 150-151.

managed the company as an absolute sovereign which hindered any positive development because some of the entrepreneurs "continuously opposed the company openly or secretly and took measures of their own".⁵⁷

The Prussian companies were more similar to the French company. Seven-eighths of the trading company *Preussische Seehandlungs-Gesellschaft*, founded in 1772, were owned by Frederick II. who alone had the right to vote. This company clearly was a state-run enterprise.⁵⁸

On the whole, there was a complex relation between economic and political interests and power factors in the case of the trading companies. The goals of colonial policy and the politics of power were associated with profit-orientated economic interests whereas economic powers were regarded predominantly as the instruments of politics. Concerning the English and Dutch trading companies, however, one can remark that the interaction between economic and political powers and interests was symbiotic as the powers cooperated for their mutual advantage, and it is impossible to say which powers predominated. This harmony was missing in the more rigid variant of the French trading company that was solely in the hands of the king.

The basic assumption of the time was clearly expressed through the trading companies, according to which the amount of wealth in the world was considered to be constant; therefore the aim of the nation's trade policy had to lie in securing the biggest possible part of this wealth for its own purposes.⁵⁹

In a somewhat different way the sea powers, with England in the lead, pursued the same purpose through systematic privateering with state intelligence and with state support, for example in the Atlantic especially against Spain. Numerous military conflicts in early modern Europe also have to be seen against the background of this mercantilist way of thinking.

⁵⁷ Treuc, *Das Verhältnis von Fürst, Staat und Unternehmer*, p. 45.

⁵⁸ *Ibid.*, p. 47.

⁵⁹ Glamann, *Der europäische Handel*, p. 271.

c) *War Policy:*

1) *Motivation and Cooperation: State Power and Leading Businessmen*

Anglo-Dutch trade rivalry, for example, led to a war in 1652 that was brought about against the will of Oliver Cromwell through the efforts of the London lobby of shipowners and merchants. The goal of the war was to exclude the Dutch merchant fleet from shipping goods to England.⁶⁰ Here, a strong economic interest asserted itself against the will of the bearers of political power. On the whole, the three Anglo-Dutch trade wars between 1652 and 1674 ended with the victory of England. The Netherlands finally had to accept England's supremacy at sea, consequently its decline as a trading and sea power began.⁶¹

By now it should have become sufficiently clear that the relation between the bearers of political power and economic power was usually heavily dependent on interests and situations. Furthermore it depended on the respective configuration of power and therefore varied from case to case. During wartime the relation between economics and politics assumed a specially explosive nature, even if the war itself did not stem from immediate economic interests. The relationship between prince, state and entrepreneur is supposed to have been very close in times of war.⁶² Principally, a war increased the capital requirements of military parties with two different possible results for potential creditors: either they could be moved into a stronger political position or they could be confronted with compulsory measures.

Military expenses in general have to be differentiated into expenses for mercenary armies until the Thirty Years War and those for standing armies. Mercenary armies were recruited only for a limited period and were commanded by "entrepreneur-officers" who financed their mercenary activity partly by themselves through

⁶⁰ Lademacher, *Geschichte der Niederlande*, pp. 149-150.

⁶¹ Baasch, *Holländische Wirtschaftsgeschichte*, pp. 336-337.

⁶² Treue, *Das Verhältnis von Fürst, Staat und Unternehmer*, p. 34.

booty, while standing armies drastically increased the expenses of the absolutist states.⁶³

Frequently creditors succeeded in winning considerable political influence beyond the subsidies granted and keeping it in times of peace as well. Famous examples are the already-mentioned Spanish Habsburg Emperors Charles V. and Philipp II. who were especially indebted to Genoese merchants.⁶⁴

The financing of war, though, had sometimes also ruinous consequences for the merchants if, for example, the totally indebted Crown declared the state to be bankrupt and the merchants' entire outstanding debts were written off. This occurred for the first time under Philipp II in 1557 and was to be repeated afterwards.⁶⁵

In England, the government found itself in difficulty owing to its indebtedness to private financiers in the sixteenth and seventeenth centuries, for example to the London banker Blackwell in the 1650s. In 1694, finally, the consequences were drawn from these situations and the Bank of England was founded as a separate institution with the purpose of administering government debt especially in times of war. With this development the financial system in England was put on a solid basis which was unique in Europe and which put an end to the heavy dependence on private financiers in the long term.⁶⁶

While some economic groups consequently profited from war, military conflicts at the same time meant a considerable burden for the economy not only because of its financing requirements, but also because of concrete losses following impediments to trade and destruction. In the countryside, general devastation and the destruction of cattle stocks were often took place; in the towns mainly real estate was damaged. Especially during the Thirty Years War the moving armies devastated large areas and deprived large parts of the population of their economic basis.

⁶³ *Ibid.*, pp. 35-36.

⁶⁴ Geoffrey Parker, "Die Entstehung des modernen Geld- und Finanzwesens in Europa", in: Carlo M. Cipolla/ Knut Borchardt, *Europäische Wirtschaftsgeschichte*, Vol. 2, (Stuttgart, 1983), p. 361.

⁶⁵ Hausscherr, *Wirtschaftsgeschichte der Neuzeit*, p. 239.

⁶⁶ Parker, "Die Entstehung des modernen Geld- und Finanzwesens", p. 361.

2) *Trade Reprisals and Blockades*

Wars did not only have negative consequences for trade because of the shortage of financing and transport. Since the last decades of the seventeenth century European powers had been consciously turning to trade reprisals in both their foreign and war policy.⁶⁷ Here political aims collided with the requirements of business life. In particular, imperial policy against France from the late seventeenth century had led to numerous tensions with the commercial towns interested in free trade. For example, in 1734 several Hanseatic and imperial cities revolted against the trade blockade of the Empire against France in the *Großes Memorial der Seestädte*, the 'great memorandum of the seaports'. There the seaports self-confidently argued about the necessity of free trade for the welfare of the entire nation. Moreover, they pointed to the fact that the Empire had to show consideration for the seaports because these protected the coastal borders of the Empire at their own charge.⁶⁸

3. "Involvement of the Territorial Sovereign": Beginnings of a Territorial Economic Policy; the Support of Trade, Crafts and Manufactures; Sovereigns and Nobles as Entrepreneurs

a) The Beginnings of a Territorial Economic Policy

The minor exertion of political influence had led to the growing importance of economic groups within the leading trading nations, the Netherlands and England.

In absolutist France, especially at the time of Colbert, an entirely different economic policy was pursued. According to his opinion it was not consonant with the nation's balance of power that the relatively small Netherlands held the leading position in

⁶⁷ Mauersberg, *Wirtschafts- und Sozialgeschichte zentraleuropäischer Städte*, p. 303; Fritz Blauch, *Die Wirtschaftspolitik des Reichstags im Heiligen Römischen Reich*, (Stuttgart, 1970), pp. 115-118, p. 122; Hassinger, *Politische Kräfte und Wirtschaft*, p. 644.

⁶⁸ Mauersberg, *Wirtschafts- und Sozialgeschichte zentraleuropäischer Städte*, pp. 301-305.

European trade. Therefore, as a most densely populated country, France had to develop its own economic potential according to its 'natural' size. 'Inquiries', 'control' and 'inspection' are the terms that characterise Colbert's regulatory economic policy which, of course, pursued the ultimate aim of increasing government revenue.⁶⁹ Colbert attempted to strengthen French trade and industry by numerous production and trading regulations, a protectionist foreign trade policy, direct governmental capital subsidies and monopolies for new companies. He subjected most urban and rural spheres of industry to a general guild constitution and then again subjected the guilds to strict government supervision.⁷⁰ He supported the *Manufakturen* in a special way with various privileges, tax privileges and high subsidies. At the same time the government closely supervised individual enterprises.⁷¹

Even though French trade, handicrafts and manufactures experienced a certain upswing in this way, in the long term it became clear that Colbert's policy stood in the way of the needs of the French economy, which was mainly agricultural, and stifled private initiative in many areas. With regard to trade France did not succeed in catching up with the Netherlands.⁷²

b) Political-religious Tolerance as a Practical Support of Trade and Industry

The migration of Marranos (Sephardic Jews), who were driven out of Spain and Portugal, into the Netherlands, England, Northern Germany (Hamburg), Denmark, Sweden and Turkey substantially contributed to the extension of international trade, the finance system, industry, and to the welfare of these regions from the

⁶⁹ Jochen Hoock, "Frankreich 1650-1750", in Wolfram Fischer *et al.* (ed.), *Handbuch der europäischen Wirtschafts- und Sozialgeschichte*, Vol. 4, (Stuttgart, 1993), p. 479.

⁷⁰ Hoock, "Frankreich 1650-1750", pp. 479-480; Mager, *Frankreich vom Ancien Régime bis zur Moderne*, pp. 69-70.

⁷¹ Eberhard Weis, "Frankreich von 1661 bis 1789", in: Theodor Schieder, *Handbuch der europäischen Geschichte*, Vol. 4, (Stuttgart, 1968), pp. 188-189.

⁷² Hoock, *Frankreich 1650-1750*, pp. 482-483.

sixteenth century. At the same time their departure produced a haemorrhage of resources for the economy in Spain and Portugal.⁷³

The Mennonites were persecuted in the Netherlands, Switzerland, Austria and Southern Germany and in the sixteenth century they emigrated to the Northern and Northwestern regions of the Empire where they founded numerous model settlements and with their skills in manufacturing textiles helped to support trade and crafts in certain regions - for example the emergence of silk manufacturing in Krefeld after 1720.

France's economic backwardness was increased by its rigorous anti-Protestant policy as a result of which many thousands of Huguenots had to leave the country with their capital and their know-how, to the advantage of France's competitors.⁷⁴ In France, religious intolerance meant considerable demographic loss and economic damage. Especially after the Revocation of the Edict of Nantes in 1685 the Huguenots emigrated in large numbers to Holland, England and Brandenburg. The *Große Kurfürst* still supported the settlement of entire Huguenot communities in Brandenburg in the same year and enabled them to build up flourishing industries as well as their own church and school system.

c) Insufficient Support of Trade and Industry in Spain and Portugal

One of the main causes of the weak economic performance of Spain and Portugal is seen in the inflow of colonial-American silver. Because the colonial powers had sufficient amounts of precious metal at their disposal for a long period of time, they failed to provide a proper support for trade and crafts and instead bought the goods they needed abroad. Only Spanish sheep-breeding was profitable and occupied a special position in the economy, but this in turn had a negative effect on agriculture.

Moreover, the economy in Spain, in particular the urban economy, was hurt in the long term by the expulsion of Jews and

⁷³ Kurt Samuelsson, *Religion and Economic Action*, (Stockholm, 1961), p. 128.

⁷⁴ *Ibid.*, p. 126.

converts, even though the Crown made short-term profits through numerous confiscations.⁷⁵

When the Spanish Crown attempted in the eighteenth century - certainly very late - to stimulate an upturn in trade through the foundation of manufactures and supporting handicrafts industry in central Spain, it failed in the end because of the extreme conservatism of the Castilians which was hostile to industry.⁷⁶

d) Sovereigns, Nobles and States as Entrepreneurs

The already-mentioned economic policy under Colbert, especially in the field of manufactures, pointed in a direction that was taken by other states and sovereigns as well. The dividing-line was fluid between those rulers who promoted industry by way of economic policy and those who became entrepreneurs themselves.

Princely entrepreneurship clearly existed already in the sixteenth century with the Swedish king Gustav Vasa who administrated his country as a large enterprise. Also the Russian Tsars (Vassilij III., Ivan IV. and Boris Godunov) were the most important entrepreneurs in their own country because of monopolies and rights over sales. Duke Jacob of Kurland (1610-1682) acted as a princely entrepreneur as well: he organised his desmeners as manorial estates and exported the surplus. In addition, he forced his peasants to produce marketable products like hops, hemp, honey and thread to increase his exports. Here agricultural and commercial entrepreneurship were gathered in the hand of the prince.⁷⁷ The same held true for princely mining, iron and steel-entrepreneurs, like the Counts of Mansfeld, of Stolberg, Brunswick and Saxony.

The sovereigns committed themselves as entrepreneurs not only to agriculture and trade but also to industry. In particular manufactures, also called the 'favourite children' of mercantilist

⁷⁵ Hartmut Heine, *Geschichte Spaniens in der frühen Neuzeit 1400-1800*, (München, 1984), pp. 43-44.

⁷⁶ *Ibid.*, p. 174.

⁷⁷ Fritz Redlich, "Der deutsche fürstliche Unternehmer, eine typische Erscheinung des 16 Jahrhunderts", in *Tradition* 3 (1958), p. 26.

economic policy, were particularly close⁷⁸ to the needs of the princes with their sophisticated production programmes in textiles, arms, luxury articles. Moreover, some branches of manufacturing became prestige objects for the absolute rulers by means of direct subsidies, tax privileges, help with the procuring of raw materials and the recruitment of workers (e.g. by enticement), and monopoly sales rights.

Next to the above-mentioned areas in which the princes showed entrepreneurial involvement there was still the special case of mining. Here we encounter the first princely entrepreneurs as early as in the fifteenth century. The princes as *Bergherren*, owners of mining rights, have to be distinguished from the princes as entrepreneurs. Many princes were content with issuing mining regulations and supervising mining. Others showed entrepreneurial involvement, for example, by founding iron and steel works like the Counts of Mansfeld, Stolberg, Brunswick and Saxony, and Jacob of Kurland who set up his own forges which later on developed into independent metal-processing factories.⁷⁹

The special interest which princes had in mining, especially silver and copper mining, derived from the fact that precious metals played an important role in contemporary mercantilist thinking.

After mining had reached its peak in the German Empire, especially the mining of silver and copper up to the Thirty Years War, it experienced a long phase of decline after 1648 because of military conflicts, technical difficulties - for example mines being flooded, the flight of capital and migration of miners. As a consequence the territorial sovereigns brought mining under government management and installed officials to manage the enterprises and secure a minimum level of production - the so-called *Direktionsprinzip* in Prussia.⁸⁰

⁷⁸ Karl Heinrich Kaufhold, "Deutschland 1650-1850", in Wolfram Fischer *et al.* (ed.), *Handbuch der euro-päischen Wirtschafts- und Sozialgeschichte*, Vol. 4, (Stuttgart, 1993), p. 582.

⁷⁹ Redlich, *Der deutsche fürstliche Unternehmer*, pp. 26-32.

⁸⁰ Hans Pohl, "Die wirtschaftliche und soziale Entwicklung vom Spätmittelalter bis zum ausgehenden 18. Jahrhundert", in Kurt G. A. Jeserich *et al.* (ed.), *Deutsche Verwaltungsgeschichte*, Vol. 1 (Stuttgart, 1983), pp. 231-232.

4. "Land": the Secular and the Ecclesiastical Manorial Systems

Portrayed in simplified terms, the rural regions of central Europe in early modern times can be divided into two parts: the regions east of the Elbe where the land was administered by the landlords themselves and at their own risk (the so-called *Gutsherrschaft*) and the regions west of the Elbe where the landlords transferred the cultivation of the land to a third party (administrators, peasants) and collected rent or dues in kind for this (the so-called *Grundherrschaft*). Strictly speaking, though, this geographical border was very indistinct for there were many intermediate regions where both forms of organisation of agricultural enterprise co-existed. In particular cases ownership and rent relations could be very distinct from one another.⁸¹

From the sixteenth century an enlargement of estates took place in many areas. This occurred on the one hand for reasons of agricultural management: the peasants tried to re-arrange agricultural land and consolidate their holding to allow improved cultivation, although this did not imply a change in tenurial relations. On the other hand there occurred an aggregation of landed property in the hands of new, mostly bourgeois, property-owners who bought up estates from the impoverished gentry.

In the regions south of the Baltic Sea, that is, in Poland, Livonia and Estonia, efforts were made to intensify the cultivation of grain for extensive export. As agrarian production became very profitable because of the high prices for agrarian products, the manorial nobility had endeavoured to expand their possessions from the XVIth century onwards and profit from increased exports. This led to the emergence of enormous desmenes and pushed the peasants into greater and greater dependence on the big landowners.⁸²

⁸¹ Aldo de Maddalena, "Das ländliche Europa", in: Carlo M. Cipolla/ Knut Borchardt, *Europäische Wirtschaftsgeschichte*, Vol. 2, (Stuttgart/ New York, 1983), pp. 180-185.

⁸² De Maddalena, *Das ländliche Europa*, pp.180-181; Hausserr, *Wirtschaftsgeschichte der Neuzeit*, pp. 124-125.

The clearest contrasting example to the manorial system east of the Elbe can be found in the Netherlands.⁸³ The general abolition of manorial rights was followed by an extensive division of land which became bourgeois property for the most part. The new economic impetus led to an intensification of agricultural production by way of modernising management and raising large sums for the transformation of new land by draining marshes and river deltas.⁸⁴

To sum up, in almost all rural European regions the economic and political power position was relatively clear in contrast to the cities: in the widespread manorial systems economic and political power was united in the hands of the manorial nobility who furthermore exercised jurisdiction, police power and the *Zehntrecht*, the right to levy tithes. So the lord of the manor, the 'seigneur' in France, could achieve the status of a minor territorial ruler.

Especially in the areas east of the Elbe the manorial nobility, as the most important grain producers, enjoyed a strong position. Because they made up the officer corps by the army and because the representative assembly of the Estates had to approve the national budget, they became a state-supporting interest-group which, in the case of Prussia, the king had to acknowledge to a large extent. In the end this led to a considerable extension of their rights with respect to the peasants. So, in the case of the manorial nobility, economic power and the exertion of political influence was concentrated in one group with political and socio-economic disadvantages for the sovereign as well as for the subservient peasants.

In spite of this predominantly 'clear-cut' balance of power in rural areas, in several cases conflict occurred between different power groups. In Spain, the interests of the *Mesta*, that is the owners of flocks and herds, collided with the interests of farmers and those of the towns. In the sixteenth century, the Crown, financially dependant on the cartel of sheep breeders, abused its political

⁸³ De Vries/ Van der Woude, *The First Modern Economy*, pp. 160-162.

⁸⁴ De Maddalena, *Das ländliche Europa*, p. 186.

power in favour of the *Mesta* which had negative consequences for the economy. Those were the deforestation of large areas in Castile and the weakening of agriculture.⁸⁵

Conflicts similar to that involving the *Mesta* occurred in England in the sixteenth and seventeenth centuries as a result of the enclosure movement. Here parliament stood in opposition to the king who usually profited from 'royal pardons', in exchange for which he received money from the landlords before or after the enclosures. The King thus placed himself on the side of the landlords.⁸⁶

In the German Empire the rulers of numerous territories intervened in agriculture. They often encountered opposition from the provincial Estates and the export traders in Northern Germany especially over politics concerning grain storage. Since the sixteenth century the sovereigns had decreed export bans or had formed their own grain stocks with the aim of preventing a rise in prices arising from crop failures and wars.⁸⁷

In the Empire, conflicts also developed between the policy of the sovereigns and the provincial Estates (that is the representatives of the landlords), when the rulers tried to consolidate the peasantry - for instance in the middle of the sixteenth century in Hesse. With regard to population policy and fiscal policy the sovereigns attempted to prevent the purchase of peasant land. This policy which was directed against the expansion of manors conflicted with the interests of the provincial Estates. The divergence of interests was intensified at the

⁸⁵ L. M. Bilbao/ E. Fernández de Pinedo, "Wool Exports, Transhumance and Land Use in Castile in the Sixteenth, Seventeenth and Eighteenth Centuries", in: I.A.A. Thompson (ed.), *The Castilian Crisis of the Seventeenth Century. New Perspective on the Economic and Social History of Seventeenth-Century Spain*, (Cambridge, 1994), pp. 101-114; Heine, *Geschichte Spaniens*, pp. 48-52; Van Klaveren, *Europäische Wirtschaftsgeschichte Spaniens*, pp. 213-216.

⁸⁶ Maurice Beresford, "Habitation versus Improvement: The Debate on Enclosure by Agreement", in: F. J. Fisher (ed.), *Essays in the Economic and Social History of Tudor and Stuart England*, (Cambridge, 1961), p. 49.

⁸⁷ Heinrich Bechtel, *Wirtschafts- und Sozialgeschichte Deutschlands*, (München, 1967), pp. 269-270.

beginning of the eighteenth century when the gradual abolition of rural serfdom began in many territories.⁸⁸

Conclusions: Political Power Versus Economic Power - Acceleration or Hindrance of Socio-Economic Progress

The following conclusions can be drawn from the few examples which have been cited in this article:

1. Especially in the sixteenth century strong economic groups, in particular merchants, succeeded in gaining considerable political influence through their economic power. It can be doubted if this was in the interest of economic progress because in the face of powerful, privileged and monopolistic companies new economic initiatives could not develop. Moreover, the dependence of the bearers of political power on the economy was highlighted especially in times of war.

2. In early modern times, the guilds (*Zünfte*) in towns increasingly developed into impediments to economic progress. The Estates as well as local administrative bodies also impeded rather than supported an innovative industrial policy. In the course of these developments the industrial development could only take place after these impediments had been pushed into the background or had been removed in the eighteenth century.⁸⁹

3. Many examples show that up-and-coming businessmen were driven out by the narrow-mindedness of the bearers of political power: The politically powerful thus caused severe damage to their own field of responsibility. In the towns it was the rigid attitude of the guilds coupled with political and religious intolerance that led to the displacement of new up-and-coming craftsmen. This in turn helped rural industry (especially the *Verlagswesen*) to develop and helped the neighbouring cities and countries to advance economically. The

⁸⁸ Bechtel, *Wirtschafts- und Sozialgeschichte Deutschlands*, pp. 265-266.

⁸⁹ Max Barkhausen, "Der Aufstieg der rheinischen Industrie im 18. Jahrhundert und die Entstehung eines industriellen Großbürgertums", in *Rheinische Vierteljahresblätter* 19 (1954), p. 168.

same process occurred at a national level, for example in France and Spain, so that religiously tolerant towns or states like Hamburg and Prussia, the Netherlands and Sweden profited economically.

4. A major development in early-modern Europe was the enlargement of the influence in government of central state powers. With the rise of absolute states, the conflict between city and sovereign to bring towns under the control of the central power and to bring the urban economy into the national economy, developed alongside intra-urban conflict.⁹⁰ In this context the development of proper national economies can be identified for the first time. The example of France shows that, with increasing absolutism, the number of economic regulations grew as well, a development that was not advantageous for economic development. Moreover, the mixing of public and private interests and the simultaneous growth of new administrative machinery led to an extension of corruption.

5. In early modern Europe economic and political forces were in continual conflict and the balance of power varied considerably. An almost inevitable economic use of government power was practised in one country while in other states and cities the stimulation of independent entrepreneurial activity through incentives and privileges was pursued at the same time; in other regions only the bearers of economic power could assert themselves politically. The potential of the theory of liberalism and of new economic forces would be revealed in the revolutionary industrial developments that swept Europe in the XVIIIth and XIXth centuries when the rigid socio-economic relations and power structures of absolutist states municipal councils and the properties of landlords were overcome by the inner dynamics of this constant process of conflict and by the implementation of liberal policy.

⁹⁰ Bechtel, *Wirtschafts- und Sozialgeschichte Deutschlands*, p. 243.

debates

