Central European Towns and the Factors of Economic Growth in the Transition from Stagnation to Expansion between the XVIIth and XVIIIth Centuries

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A dominant characteristic of the European economy in the XVIIth and early XVIIIth centuries was the steady increase in measures designed to promote the economic expansion of specific regions. In contrast to Western Europe, and to Britain and Holland in particular, Central Europe (including Central and Eastern Germany, Poland, Czechoslovakia, Austria and Hungary) experienced a relatively slow rate of growth, and was indeed subject to periods of short-term economic crisis which were to continue into the later XVIIth century and cause widespread depression due to the ravages of war in the region. Germany and the Czech provinces were to suffer from the Thirty Years War, Poland from both the wars between Sweden and Poland and between Poland and the Ukraine, while Hungary was the theatre for the fifteen years of war between the Habsburgs and the Turks (between 1593-1608) as well as the anti-Habsburg risings.

Czech historians have rightly emphasised the varying severity

and geographical incidence of these factors.[1] The economy and social structure was most deeply affected in those regions where the situation of the international grain market most directly influenced economic decisions. In Poland, these were the central and eastern, and to a lesser extent the southern provinces. Northern and eastern Germany was similarly affected, whereas the economic structure of Bohemia and Moravia showed greater diversification. But even here there was a tendency for the production of cereals for export to increase after the close of the Thirty Years War, although livestock rearing, fishing and forestry continued to play an important role.[2] In southern Poland , northern Hungary and Slovakia the great estates were mainly devoted to rearing oxen which were then exported westwards through Germany. Changes in the foreign market then proved least damaging in those regions where agricultural production was geared to domestic consumption or to the needs of local manufactures. The cultivation of linen and hemp, for example, was closely associated with the rise of the Bohemian linen cloth industries in Luzyce and in Silesia. In Moravia and Greater Poland the expansion in sheep rearing was similarly related to the expansion of cloth manufacture, while viticulture was linked to the demands generated by the wine producing areas of Hungary and Austria. In the Czech lands also, forestry exploitation grew with the expansion of the glass-making industry and its demand for fuel supplies.

Since in all the Central and Eastern European states power was concentrated in the hands of the nobility, the great feudal landowners had greater opportunities for expanding their incomes.. In this period they were the group mainly responsible for undertaking great investments in industrial enterprises. In Bohemia

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[1] A. Klima, J. Macurek, " La question de la transition du féodalisme au capitalisme en Europe Centrale (XVI[e]-XVIII[e] siècles) "; Rapports IV, Histoire moderne, *XI[e] Congres International des Sciences Historiques*, Stockholm 1960, s. 84-106.

[2] Mika Alois, Rozwój gospodarki dworskiej na ziemiach czeskich od XIV do XVI. wieku, w: *Roczniki Dezijów Społecznych i Gospodarczych*, t. XXII, 1960, s. 11-31.

and Moravia in the late XVIIth century and early XVIIIth century it was they who invested in the manufacture of textiles and in the iron industry, while from the late XVIIth century onwards the Habsburgs invested heavily in mining and iron works in Austria. In view of the dominant position of the latifundist nobles in the existing balance of economic forces, the gentry found themselves in great difficulties and the peasant farmers were ruined. Whereas Western Europe in the XVIth and XVIIth centuries had experienced a process of primitive capital accumulation and the expansion of industrial investment, the changes in the agrarian structures of Central and Eastern Europe (especially the expansion of the *corvèe* system) led to a general refeudalisation of economic and social life, so preventing any development of domestic markets.

As a result, most historians agree that it was not possible for the towns to expand. They mention only the contribution of commercial capital to the formation of the cloth industries in Saxony, Upper and Lower Lusatia and Silesia, but it seems that more could be said on this problem. It would also appear that the following groups of towns did have certain possibilities for economic expansion in the period:

a) The towns involved in maritime trade. These were primarily the leading Baltic ports, and it is clear that the involvement of Riga and Krolewiec in European trade expanded with the development of latifundist cereal production in Lithuania and Belorussia. And while Danzig had been the traditional market for the sale of Polish products, in the later XVIIth century its influence began to be felt throughout Central Europe.[3] And Hamburg was of course one of the great commercial centres of Europe. The intermediary role played by each of those great

[3] P. CERNOVODEANU, *England's Trade Policy in the Levant 1660-1714*, Bucharest 1972, s. 55-125, tabl. 1-2; aussi Z.P. PACH, "The Role of East-Central Europe in International Trade (XVIth-XVIIth Centuries)", *Etudes Historiques*, t. 4, Budapest 1970, s. 217-264.

cities served to increase the supplies of commercial capital. A comparison, for example, between grain prices in Danzig and Amsterdam shows that the smaller volume of mercandise was compensated by higher profit margins.[4]

b) The towns involved in overland transit trade. These were primarily the Polish towns which acted as gathering points for commodities coming from the East, the South and the South East, which were then sent on to the West through the towns of Hungary and Austria. For both the exchange of goods and the focus of credit flows, pride of place was held by Leipzig.

c) Those towns which lay at the centre of the great latifundist estates, such as Zamosc, Sluck and Sxlow,[5] and which were centres of considerable economic activity. And as a result of the privileges of the great magnates, rural centres in Bohemia and Moravia (e.g. Fridland and Janowice) also experienced great economic expansion.

d) The main regional centres in those areas where agriculture was geared mainly to the home market. A typical example of this group is Poznan, the privileged economic centre of Greater Poland in the XVIth and XVIIth centuries and its capital city. Throughout the early XVIIth century Greater Poland was a region with a mixed agricultural and manufacturing economy. On the noble estates a typical form of investment was the building of sheepfolds for rearing ewes, as well as well as rural and urban colonisation. In the towns the main expansion was in the foodstuff and cloth industries. There were major changes

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[4] M. Hroch, J. Petran, Europejska gospodarka i polityka XVI i XVII wieku; kryzys czy regres?, *Przegląd Historyczny*, t. 55, 1964, s. 4-6, tabl. 1.

[5] M. B. Topolska, Związki handlowe Białorusi wschodniej z Rygą w końcu XVII i na początku XVIII wieku: *Roczniki Dziejów Społecznych i Gospodarczych*, t. 29:1968, p. 9-32. A. P. Grichiewicz, Torgovyje swjazi Slucka s gorodami Polszi i Pribaltiki w XVI-XVIII w. i ich rol w inoziemnoj torgowle goroda, *Acta Baltico-Slavica*, t. VI, 1969, p. 51-74.

in the cloth industry in this period, with a shift away from production of cheap goods towards luxury textiles (modelled on English designs) which were destined either for export or for the wealthy classes. Even in the late XVIIth century and the early XVIIIth century the same tendencies continued in Greater Poland, despite the disruption of the wars. This period of great instability and growing economic difficulty has been studied in great detail,[6] with particular reference to changes in patterns of economic activity. There has been general agreement with the explanation provided by J. Topolski that these difficulties resulted from the growing gap between levels of demand and levels of income.[7] Both income and demand must be related to the specific context of the period, the region and particular social groups. Demand provides both a motor force for economic activity and the incentive for increasing income. But as far as the bourgeoisie were concerned, increased income was dependent on the vitality of economic activity.

An analysis of 52 artisan and 44 commercial enterprises in Greater Poland in this period reveals that the following changes were occurring: [8]

— The average value of artisan and merchant property doubled, and in many cases this increase was even greater. In the late XVIIth century the ratio between consumption and savings was 43:57 for artisans and 28:72 for merchants. In the early XVIIIth century the same proportion obtained for artisans, while in the case of merchants the percentage of savings had risen to 80%.

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[6] The research has been carried out in the State Archives in Poznań.

[7] A. Grodek, Warszawski Dom Handłowy lat 1723-1727, *Roczniki Dziejów Społecznych i Gospodarczych*, t. XII, 1950, p. 6-25. A. Minikowski, Zmiany czy stagnacja? Z problematyki handlu polskiego w II połowie XVII wieku, *Przegląd Historyczny*, t. 64: 1973, c. 4, pp. 771-793.

[8] M. Wolański, *Związaki handlowe Śląska z Rzeczpospolitą w XVII wieku*, Wrocław 1961, p. 117-125.

— The range of consumer demand also increased, and was expressed in an increase in their absolute values.

— The introduction contemporaneously of new forms of economic activity meant that it was possible at the same time to acquire ever larger incomes.

Among the objects of consumer expenditure, the primary position was held by houses and land. The first goal of every bourgeois was to acquire a residence of his own which served very specific social and professional ends. The owner of an urban residence immediately became entitled to all the privileges of citizenship, and the ownership of property inspired confidence and assisted his commercial and credit dealings. The necessity of owning a house had a decisive influence on the way in which income was distributed and reveals the individual stages in the process of capital accumulation. The Poznan bourgeoisie was made up of four distinct groups, each capable of increasing their incomes according to their ability to satisfy their basic consumption needs:

1) for those citizens who did not possess a residence of their own, we find that a high proportion of income was devoted to savings

2) citizens with high levels of consumer spending

3) citizens with average incomes who devoted a large percentage of their income to savings, with little expenditure on houses

4) the wealthier citizens were in a similar position to the previous group, although in their case the possession of a residence took on a different function. Ownership of more than one urban residence showed how their capital was employed, and the social esteem enjoyed by this group normally required that they should also own landed property close to the town, thereby imitating the model set by the nobility.

The different patterns of house ownership did not then grea-

tly affect the way in which income was employed. In the first part of the XVIIIth century, however, one can observe a tendency for luxury consumption to increase amongst the wealthiest group of townsmen. Due to the influence of Western fashions, the variety and real values of their clothing and furniture began to increase, although there was little extra expenditure on such things as household china or commonplace objects.

When discussing the factors affecting economic decisions, mention is normally made of the problems facing the noble estates in this period. The development of credit systems would have made it possible to obtain greater profits. For the small and the middling bourgeoisie, the credit available was essentially mercantile credit resulting from trade. For the merchants and wealthiest artisans, however, large scale monetary speculation increasingly became a principal activity, and amongst this group the capital devoted to credit operations amounted to some 50% of their total assets. The very high interest rates which resulted from these operations brought about the creation of a form of collective rather than individual credit system, and it was mainly the artisans who were involved since they lacked the capital needed for their work. In the case of Poznan, capital was held collectively by the guilds — the brewers, cordwainers and tailors. And the principal clients for these credit transactions were the landed nobility. Credit transactions undertaken by the Poznan bourgeoisie with the nobility amounted to 80% of their total business. And unlike the transactions between merchants, the loans to the nobility had to be secured, and were only made on securities in gold or land.

Following such activities, the next principal employment of income was in trade. During the period trade and production began to expand rapidly, as a result of the variations in the prices of raw materials and the hierarchy of demand created within the noble estates. The preference for this type of activity was related to the general fall in the prices of agricultural and forestry

products, which lasted throughout the XVIIth century and continued until the 1760s. In the monopoly sector, the largest profits were obtained by the guild corporations in the foodsttuff, textile and tanning industries. The result was a fall in the cost of labour, and the majority of craftsmen and journeymen were paid in kind.

The towns were favoured by the specific nature of their revenues resulting from the feudal system. But whereas the nobles' income depended on the harvest, and only increased when the harvest was good, the townsmen had to wait until the end of the year before they could tell what profits and losses they had sustained. As a result they tended to make their deals during the seasons when prices were low, which was greatly to their advantage. At the same time, profits from trade were more or less assured by its changing structure, and increasing preference was given to luxury goods in their purchases from abroad.

Even for the wealthier peasants, farming offered either little or very limited surpluses for consumer expenditure. Hence the nobles became the principal trading partners for the Poznan merchant corporations. The merchants engaged in the trade in foodstuffs from abroad (especially alcohol and spices) and those trading in locally manufactured textiles(especially cloths and leather goods, which were considered luxury items) were the ones who made the largest profits. In their dealings with the nobles, barter contracts were very common. The merchants provided the goods intially on credit, and in return they received supplies of raw materials at highly advantageous prices. The most frequent payments were in wool, which could easily be sold throughout the region — and indeed Poznan wool was also highly prized on the markets of Danzig and Leipzig.

By the mid-XVIIIth century the rate of capital accumulation achieved by the townspeople and merchants of Poznan was more than adequate to guarantee the investments needed for their operations. Yet the surplus balances of these individual enterprises

did not, for some thirty years, have any wider effect on the region's economy. The capital accumulated was generally simply saved or else employed in purchasing urban properties or land. In order to explain the persistence of this passive economic behaviour, one must take account of the fact that investment was determined not only by availability of capital but also by knowledge of the markets. Although it was essential to have disposable capital (given that in the pre-capitalist economy there were no forms of long term investment credit), it is difficult to see how this could have been devoted to investment unless there was sufficient knowledge of the markets concerned to enable prediction of probable patterns of supply and demand. The risks involved were such that they could be undertaken probably only by the great magnate manufacturers who could fall back on the resources of their forests and also on their reserves of *corvée* labour. Until the 1770's the Poznan merchants did not enjoy similar possibilities, and these only came about due to a change in the economic and social structure of Greater Poland. Although livestock rearing and cereals were dominant, there was a wide variety of products and the position of the farms began to change. Each farm settled its own accounts, normally in cash. This new structure became the basis of the operations of the Poznan merchants, hence their decision to invest directly in production. The cloth, woollen, silk, leather, tobacco, candle, soap and glass manufacturers all worked on raw materials provided by the local economy, and began to specialise in the production of mass produced goods destined for a very large public.

But the transformation of this capital into investment was not simply a result of the change in the situation of the market, but also exerted an influence in the other direction giving rise to a number of secondary effects which were of considerable importance for the economy as a whole. Increased demand for raw materials provided an incentive for increased agricultural production, while the agricultural producers in purchasing manu-

factured products in turn increased the scale and numbers employed in the manufacturing and service industries.

In fact, the economy of Greater Poland in the second half of the XVIIIth century was the product of a series of independent but reciprocal forms of activity, and for the country as a whole took on the form of very rapid economic growth. But what should be emphasised particularly in the important role played in this process by the commercial capital which had been accumulated in Poznan in the preceding period. The monographic studies on this issue show that the accumulation occurred between the late XVIIth and early XVIIIth centuries. One might also mention the expansion of bourgeois property in Warsaw and Cracow, which was the result of a process similar to that in Poznan. But in the towns of the Habsburg Monarchy, the situation was quite different. Here the capital of the merchants of the great commercial cities like Wrocław had been created by State intervention, and the lion's share fell to the monopolies and privileges created by royal decrees for the great commercial ventures.[9] In Saxony, Silesia and in the Czech lands, however, there was an important process of capital investment taking place. Although it was unique in Central Europe, Brno provides a good example of this. Towards the mid- XVIIIth century there had been about a dozen master drapers in the city, whereas fifty years later there were 12 woollen textile manufacturers employing over 10,000 workers. This was also the case in Poznan. And there were also certain parallels in the Hungarian towns as well, and the merchants of Budapest, Tokaj, Myskolec and Eger (where they were Greek in origin) operated in ways that were similar to those of Poznan. Credit played a very important role, and also one finds luxury goods (especially wines and certain oriental products) forming a major part of their trading activities. But it was the Polish market which

[9] M. Bup, Bałkanskije kupcy w Wengrii -- XVIII vick, *Etudes Balkaniques*, n. 3, Sofia 1972, p. 50-70.

enjoyed a near monopoly over the supply and sale of these goods. However, the capital obtained from this trade helped bring about in the late XVIIIth century the development of a cloth manufacturing industry in Hungary.

To conclude, one might suggest the following generalisation. Despite the general situation of a reversion towards feudalism which had been experienced in Poland since the end of the XVIth century, there was still possibility for individual capital accumulation. This capital had then to await favourable conditions before it could be transformed into investment — and this depended above all on change in the agrarian economy. But when this occurred, then the whole economy began to move forward.