

Economic growth in a period of political fragmentation, Western Europe 900-1300¹

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Abstract

The long period of economic expansion between the second half of 10th and the beginning of the 14th century is one of the big enigmas of European (and world) economic history. This spectacular expansion of the European economy is all the more striking as it occurred -after the disintegration of the Carolingian Empire- during a period when the number of political entities increased strongly. Although, in general, large economic entities such as the Roman, the Qing or the Carolingian Empire seem to have fostered economic growth, in Western Europe political fragmentation did not hamper development. The paper analyzes some of the reasons why this may have been the case. It tries to find out which institutions emerged in Western Europe that lowered transaction costs to such an extent that international trade could flower the way it did. It reviews different responses to the power vacuum that came into existence in parts of Western Europe in the 10th-11th centuries, and links these to three hypotheses formulated in the literature. Firstly, the Mann-Berman hypothesis focuses on the 'top down' offensive led by the Church and its institutions aimed at pacification and the imposition of law and order; as a result the Church became a kind of meta-state that was an important source of institutional change. Secondly, the Greif-de Moor hypothesis concentrates on the effects of a 'bottom up' movement resulting in the setting up of guilds, communes and other forms of corporate collective action; according to this interpretation this bottom up movement led to the creation of new institutions that regulated exchange and protected property rights. Finally, the classical interpretation that this period saw a 'feudal revolution' - an intensification of political power by local lords - is discussed, and the question is raised how important these changes were for economic development. It argues that in particular the combination of the first two movements (top down and bottom up) resulted in the creation of new set of institutions

¹ I would like to thank Bruce Campbell, Jessica Dijkman, Timur Kuran, Ghislaine Lydon, Marco Mostert, Maarten Prak, Tine de Moor for their comments on previous drafts of this paper.

that would lay the foundation for the remarkable growth of the 950-1300 area. A new institutional framework that protected property rights and enhanced trust, based on relatively high levels of literacy and the power of the written word, emerged that was characteristic for Western Europe and fostered its long-term economic development.

Introduction

There is a certain logic to the argument that there is a positive relationship between the size of political entities and the level of trade and specialization they generate. Large empires have in the past often produced flowering economies; an important argument in the recent reassessment of Chinese economic development during the Qing, for example, is that it was able to generate large internal trade flows (which were probably comparable in size to, or perhaps even larger than, trade flows within the European economy at the time). The Pax Romana is another striking example; the establishment of long lasting peace and stability in the Mediterranean as a result of the Roman conquests, had without doubt a strong positive impact on the economy of the area. Similar, but less spectacular perhaps, was the impact of the Carolingian empire created during the 8th century – again one can point to the strong expansion of trade, linking the various parts of the Empire together, from Pavia in the south to Dorestad in the north (McCormick 2001). And one can even argue that the development of the European Union in the post 1945 period is driven by the same idea: greater political unity will enhance trade, specialization, and growth. Nor is it difficult to find examples of political disintegration that lead to economic decline. The disintegration of the Habsburg and Ottoman Empires after 1914 produced set backs for the new countries that emerged, but the classic example is probably what happened in Western Europe after the collapse of the Roman Empire in the 4th-6th centuries. Post-Moghul India during the 18th century is another case in point (Bayly 1983).

This paper is about what appears at first sight to be an exception to this general rule, Western Europe between 900 and 1300, where we see increased political fragmentation coinciding with a spectacular expansion of the economy. The number of states in Continental Western Europe increased from less than 10 in 800 – when Europe was dominated by the giant empire of Charlemagne – to more than 200 around 1300;

the exact number depends very much on what one considers to be an ‘independent’ political entity – how, for example, to classify the Holy Roman Empire in different periods and regions, and when does a semi-independent city become a city-state?² But the overall trend (in Continental Western Europe) during the period is unmistakably towards smaller political entities.

At the same time, in particular during period between 950 and 1050, many of the political entities that managed to survive showed signs of implosion, of the declining ability to bring law and order to their realm. This has been termed (perhaps rather inappropriately) the ‘Feudal Revolution’, as it resulted from (or coincided with) a decentralization of political power as men of power at a lower level – local knights – stepped in and build their own mini-states around their castles. This often resulted in continuous warfare between castellans.³

But in this period of extreme political fragmentation, and the ‘failing’ of many states, we also see a spectacular and continuous growth of trade and industry during the 11th-13th centuries, which perhaps already began in the second half of the 10th century, after an initial setback during the first half of the 10th century, partly due to invasions by Magyars and Vikings.⁴ At the same time the population grew rapidly and the level of urbanization increased continually. In sum, one of the most spectacular and enduring periods of economic expansion in European history occurred simultaneously with an extreme fragmentation of the political system. The aim of this paper is to try to answer why this happened, why in spite of – or perhaps due to – increased political fragmentation the European economy went through a process of steady expansion between the (late) 10th and the (early) 14th century.

The literature offers two hypotheses to explain this paradox. The first argues that the power vacuum left by the disintegration of the Carolingian Empire was to some extent filled by the Church and its institutions (such as monasteries), which were able to create a new institutional framework for European society in the process – a new framework that also did enhance economic exchange. This hypothesis is for example suggested by Michael Mann’s ‘The Sources of Social Power’, where he argues, ‘The social structure that stabilized Europe after the ending of the barbarian migration and

² Cf. Tilly 1990 for a discussion of these issues; he more or less arbitrarily sets the number of states in Europe in 1490 at 200 arguing that ‘no plausible set of definitions yields fewer than 80 distinct units or more than 500’.

³ See the discussion about the ‘Feudal Revolution’ by Bisson 1994 and Wickam 1997.

⁴ Cf. Lopez 1976, who, as authors before and after him, date the start of the ‘big boom’ at about 950.

invasions ... was a multiple acephalous federation. Europe had no head, no center, yet it was an entity composed of a number of small, crosscutting interaction networks ... Consequently no single power agency controlled a clear-cut territory or the people within it. But the relationships between these multiple power networks were regulated. Order and not chaos prevailed. The major regulatory agency was Christendom, by far the most extensive of the power networks' (Mann 1986: 376-7). And similarly, 'Christianity as a *normative* system has been neglected as a causal factor in the emergence of capitalism. It was not only the psychological impact of its doctrines (as in Weberian approaches to the problem) that boosted capitalism, but also that it provided normative pacification, in a Durkheimian sense ' (Mann 1986: 377).

To elaborate these ideas, we will also borrow from the work of the legal historian Berman, who analysed the genesis of the European law system and legal tradition in the wake of the 'Papal Revolution' of the 11th century, and sees this as the defining moment for the development of 'Christianity as a normative system'.

The alternative hypothesis is that the power vacuum left by the disintegration of the Carolingian Empire created the preconditions for a process of 'bottom-up' institution building, of which the guilds – both merchant and craft guilds – and the (urban and rural) communes are the best examples. This argument has been developed in great detail in Greif's analysis of the role of Italian merchant guilds; he analysed the genesis of a 'modern' institutional framework for exchange in this period, focusing on the contribution of the merchants guilds to the lowering of transaction costs. Guilds underpinned the 'community responsibility system', the system according to which communities (i.e. towns) threatened to boycott each other if individual members of these communities did not honour their obligations (for example defaulted on their debts). (Greif 2005; see also Greif, Milgrom and Weingast (1994)).

In a recent paper De Moor (2006) has argued that the emergence of the guilds was part of a much broader process of 'bottom up' institution building, a 'silent revolution' which consisted of the formation of communes, commons and craft guilds. She makes the point that these new organizations, which all took the form of public bodies (*universitates*), played a key role in the creation of new institutions that enabled the strong growth of exchange in this period. I will refer to this interpretation as the Greif-de Moor hypothesis.

Additionally, there was a third attempt to fill the power vacuum that emerged in Western Europe after ca 950: the 'feudal revolution' of local knights, mentioned

already, who greatly intensified their control over rural resources in the 10th and 11th centuries, leading amongst others to the rise of manorialism in large parts of the Continent. The combination of these three attempts at institutional change – at the supplying of new institutions that could guarantee law and order – had important long term consequences for Western Europe. It will be argued that in particular the ‘top down’ and the ‘bottom up’ movements distinguished here, reinforced each other. The strength, durability and success of the ‘bottom-up’ process of institution building, for example, cannot be explained without the (partial) ‘top-down’ pacification by the Church, which also supplied the concepts for the ‘silent revolution’. And more importantly, it is the combination of these responses to political fragmentation that explain the ‘unique’ institutional framework that emerged in Europe between 1000 and 1300.

A dimension that should be added to this discussion, because it is so central to both developments, is the process of *verschriftelijking* - the growing importance of the written word as a source of information - that was happening during these centuries, and markedly accelerated during the 11th and 12th centuries (Mostert 2006). I argue that this process was intimately linked to the fundamental changes in the power structures of Western Europe that occurred in these years, and that, again, the Catholic Church and its institutions, such as the monasteries, played a fundamental role in it. As an important spin off, the process created a much enlarged demand for literacy and related skills, which set in motion a process of knowledge accumulation that would prove to be of fundamental importance for long-term economic development in Western Europe.

Did political fragmentation affect economic development?

How harmful was the process of political fragmentation occurring in the centuries between 900 and 1300? One of the ways to understand the links between these processes is to look at the different regions of Western Europe, which to some extent had their specific economic and socio-political trajectories. Fragmentation was the overall trend of European political and institutional history of the centuries around the year 1000, but, as Figures 1 to 3 show, not all regions underwent this process to the same extent. For starters, developments on the Continent were different from those on

the British Isles. The former was largely united in the 8th century by Charlemagne, whose empire did however disintegrate quickly after 830. It was precisely in the core region of the Carolingian Empire – in contemporary France – that the implosion of political authority was worst in 10th century (much of the literature concerning the ‘Feudal Revolution’ is based on sources related to the western part of the former Carolingian Empire (cf. Bisson 1994)). By contrast, the British Isles were already from the 9th century onwards involved in a process of centralization, which led, in particular after the Norman invasion of 1066, to the formation of a more or less unified state. But also on the Continent the pace of political change differed from region to region; in contrast to the implosion of the state in the French regions, the Holy Roman Empire continued to perform rather well until the late 11th century (when it was a.o. undermined by the struggle between Pope and Emperor). But from the mid 11th century onwards these two regions swapped places: political disintegration accelerated in the central belt of Europe (stretching from Northern Italy to the Low Countries), driven by the ‘bottom up’ processes that will be analysed below, whereas the first signs of renewed state-building in occur in France. As a result, in 1300 fragmentation was most extreme in what had become the urban belt of Europe. Outside this urban belt, in England, France, Iberia and Denmark, new polities had emerged forming the nucleus of the nation-states that developed there in the early modern period.

One way to test if fragmentation mattered – or if sufficient institutions developed that were able to compensate for the effects of political fragmentation – is to look at how different parts of Western Europe developed in these years. Did politically centralized parts (such as England) develop more rapidly than fragmented regions? Answering this question is not easy, however. Estimates of even the most basic facts, such as the size of the population, are very rough and fragmentary. In a related paper (focusing on the growth of book production in this period), Buringh and Van Zanden (2006) put together some estimates that suggest some of the important long-term trends.

There is no doubt that the population of Western Europe as a whole increased strongly in the centuries between 900 and 1300. Estimates by Russell (1972) and McEvedy and Jones (1978) suggest that population growth during the High Middle Ages was to a large extent determined by distance to the Mediterranean, where population density was highest initially. During the great medieval boom between 900 and 1300 population levels in Iberia and Italy increased by 100 to 150%, whereas in the Low Countries and England the increase was much more dramatic, perhaps as high as

300%. Other parts of Europe – Germany, France – more or less held the middle. A link with the process of political fragmentation is not clear from this evidence; politically fragmented regions (Low Countries or Italy) grew as much as comparable unified states (England and Spain).

Thanks to the work by Bairoch et.al. (1988), it is possible to make very rough approximations of the development of the urbanization ratio, defined as the share of the population living in cities with more than 10,000 inhabitants. All estimates for the period before 1000 are very tentative, and probably urbanization is underestimated because sources are extremely scarce. On the other hand, one would expect large cities with more than 10,000 inhabitants to leave at least some traces. The last column of Table 1 contains the estimates of the urbanization ratio for 1500 by Jan de Vries (1984), which are more or less consistent with the Baroich estimates for the 15th century.

Table 1 shows a number of interesting patterns. In Iberia there is a sudden rise of urbanization after the conquest by Islam in the 8th century, followed by a gradual decline of urbanization in the centuries after 1000.⁵ In Italy there is more continuity in the urban system than in the rest of Western Europe, and levels of urbanization were already relatively high before 900. It also participates strongly in the general increase in urbanization between 900 and 1300, however (see also Malanima 2005: 108). In the northern part of Western Europe the number of large cities was very limited before 900, and the growth of urbanization was more gradual, and largely coincided with the big boom in population levels. But it also appears that urbanization process (if these estimates are correct) accelerated already during the 10th century (when the total number of inhabitants in these cities doubled), and again showed a ‘big spurt’ between 1100 and 1300 (see also Dyer 1995 for a very similar chronology of urban development in England; and Verhulst 1989). This increase ended in the 12th or 13th century in most countries, but continued into the ‘crisis of the late medieval period’ in the Low Countries.

Perhaps more important – but almost impossible to quantify – was the underlying development in the urban system. In large parts of Western Europe an

⁵ Bairoch et.al. (1988) his estimates were corrected for a few extreme outliers: Cordoba (on the basis of Glick 1979) and Palermo (email exchanges with Jeremy Johns and S.R. Epstein); according to Bairoch et.al. Cordoba was supposed to have 450.000 inhabitants at about 1000 (but only 110.000 according to Glick), Palermo’s size was 350.000 according to Bairoch et.al., whereas our estimate is 60.000; the other estimates in the Bairoch dataset look more realistic; also the estimates for London in the Bairoch dataset are too low and inconsistent with recent work (see Campbell 2000: 429-433). These estimates are available at the website <http://www.iisg.nl/bibliometrics/urbanisation800-1500.xls>

integrated urban system arose, of which the cities with more than 10.000 inhabitants were only the peak. Actual levels of urbanization were much higher than suggested by Table 1 – 15% to 20% in England for example (Dyer 1995) – and the not only were those towns and cities linked together in one integrated system, relationships with the surrounding countryside were also quite strong.

Before 1000 the size of states seems to have a favorable effect on urbanization: the Carolingian Empire appears to have resulted in a modest increase in urbanization in Germany and France (and in the Low Countries, see Verhulst 1989), and the highest levels of urbanization can be found in the emirate of Cordoba (which dominated Iberia and parts of North Africa until the first half of the 11th century). After about 1100 the relationship shifts, and there appears to be a negative relationship between urbanization and political fragmentation. Centralized states such as England or France tended to have (slightly) lower levels of urbanization than the politically fragmented central belt of Europe, in particular compared with the extreme ends of the belt in the Low Countries and Northern Italy. Political fragmentation was to some extent the result of the increase in the size and power of cities, making it difficult if not impossible for kings to keep together or create a centralized state (cf. Tilly 1990). Moreover, centralized states may have repressed the growth of cities or induced patterns of urban growth in which the urban landscape was dominated by one big capital city (such as London), which may also have depressed the overall level.

Table 1 Estimates of urbanization ratio (share of the population living in cities with more than 10.000 inhabitants), 6th-15th centuries

Century	6	7	8	9	10	11	12	13	14	15	1500
Boh			0,0	0,0	0,7	1,3	0,9	2,0	4,3	5,9	1,7*
Brit			0,0	0,4	2,4	3,2	2,6	2,8	3,0	2,1	2,0
Fran		0,5	2,1	2,9	3,4	4,1	5,2	5,6	6,1	6,6	4,2
Belg			0,0	0,0	3,0	5,8	9,9	15,0	26,2	29,6	21,1
Neth			0,0	0,0	0,0	0,0	2,5	5,1	4,0	9,8	15,8
Germ		0,9	2,5	3,5	4,8	5,3	4,9	4,7	5,0	5,0	3,2
Switz			0,0	0,0	0,0	0,0	0,0	0,0	0,7	2,3	1,5
Austr			0,0	0,0	0,0	0,0	0,5	1,0	1,3	1,3	1,7*
Italy	3	1,8	2,7	3,7	6,5	8,5	9,4	12,2	13,3	12,6	12,4
Iberia			3,0	7,1	11,0	11,6	8,9	8,5	9,2	10,0	5,7
European average		0,7	2,4	3,2	4,7	5,4	5,5	5,9	6,6	7,0	5,6

Own calculation based on Bairoch et.al. (1988); column 1500: De Vries 1984: 39 (*: Austria and Bohemia taken together).

Table 2. Manuscript production in absolute numbers per century (6th-15th centuries)

	6 th	7 th	8 th	9 th	10 th	11 th	12 th	13 th	14 th	15 th
Ctreur	0	0	0	0	0	3,983	27,530	120,987	301,833	376,650
Boh	0	0	0	0	0	657	1,136	5,377	42,066	45,363
Brit	81	1,026	5,474	7,926	9,793	20,360	81,044	200,654	155,513	208,729
Fran	1,682	2,441	15,920	74,190	12,752	45,061	197,831	510,828	564,624	1,195,783
Belg	0	127	1,111	3,029	1,555	8,529	43,219	119,588	106,148	572,124
Neth	0	26	60	82	58	354	1,731	2,066	13,179	171,974
Germ	0	0	7,503	59,771	45,703	49,548	166,876	270,392	293,814	515,116
Switz	0	30	594	5,330	1,799	1,090	2,355	3,821	6,349	10,652
Austr	0	0	2,735	9,414	0	2,808	37,370	37,408	39,777	88,623
Italy	10,194	4,478	6,536	20,307	15,215	38,768	95,207	253,013	879,364	1,423,668
Iberia	1,594	2,512	3,770	21,693	48,763	40,871	114,422	237,818	344,284	390,478
Western Europe	13,552	10,639	43,702	201,742	135,637	212,030	768,721	1,761,951	2,746,951	4,999,161
Increase per Century (%)		-21	311	362	-33	56	263	129	56	82
Coefficient of variation of per capita production	2.37	1.56	0.83	0.81	1.06	0.80	0.77	0.90	0.67	1.23

Source: Buringh and Van Zanden 2006.

Another source of information on the long-term development of the European economy in this period are estimates of the growth of book production in the various parts of the sub-Continent (see table 2; for a detailed discussion of these data and their implications see Buringh and Van Zanden 2006). These data reflect some of the trends discussed so far: the increased prosperity of the European economy during the Carolingian Renaissance of the 8th and 9th century, when the center of gravity of book production moved from the south (Italy) to the core region of the Carolingian Empire in northern France (and the neighbouring parts of contemporary Belgium and Germany). Then follows a strong and almost pan-European decline of book production during the 10th century, reflecting the negative consequences of war and the absence of law and order. It is striking that the decline is especially pronounced in France, that Germany continued to do rather well during the Ottonian Renaissance of the late 10th and early 11th centuries, and that the British Isles show continued prosperity during the 10th century; this all suggests a positive link between state formation and economic performance in this period.

Again this changed in the centuries after 1100: politically fragmented regions – Belgium, Germany and (Northern) Italy – perform strongly, in particular in per capita terms. In the 14th century, the highest levels of book production can be found there, and the link between political centralization and economic performance seems to be completely reversed. The shifting structure of urbanization helps to explain these changes in the spatial patterns of book production, but is not the complete story: monasteries were the most important centers of book production during the Middle Ages, and they were mainly located in the countryside (Buringh and Van Zanden 2006).

What is perhaps even more striking when reviewing these trends is that – apart from the special pattern shown by Iberia (and to some extent Ireland, hidden in the overall figures of the British Isles) – the development of the various regions in Western Europe show strong similarities, suggesting a pan-European development path during the Middle Ages. The Carolingian Renaissance has an impact everywhere in the Latin West, and again the boom of 950-1300 is a truly European-wide phenomenon. One of the most important questions of European economic history is therefore what created this uniformity – what caused the ‘Europeanization’ of Europe, to use the term coined by Bartlett 1993. The exception to these long term processes appears to be Iberia, which

had a much earlier take off (after the conquest by the Muslims), followed by flowering of both urbanization and book production in the 10th-11th century, which was again followed by a gradually worsening performance, in particular in relative terms.

Current explanations of the causes of the big boom of the high Middle Ages focus on the supply side of the economy, in particular on changes in agricultural techniques preceding it. The early middle Ages were, as for example Mokyr has shown in a review of the literature, a period of technological creativity – much more so than the centuries that preceded it (Mokyr 1990: 31ff). The leading authority Lynn White (1962) has hypothesized how an interrelated set of new agricultural techniques – heavy plough, three field system, and techniques linked to the using of the horse as a source of power (the stirrup and the horse collar) – revolutionized agriculture, or at least created preconditions for a much higher level of agricultural productivity. Outside agriculture there is the development of the water mill (later followed by the wind mill), which, at least potentially, had a large impact on activities such as grain milling, fulling, the iron industry and so on (Mokyr 1990: 34-35).

This ‘supply-side’ explanation of the big boom has come under some attack because some of the innovations probably already occurred well before the Middle Ages; alternatively, it is often almost impossible to exactly date the technological changes that were considered crucial (see the discussion in Verhulst 1995: 483-7; Fossier 2000: 54-57; Fossier 2004: 40-44). More importantly, this interpretation of the Medieval boom ignores ‘the fundamental problem of exchange’ (Greif 2000), the problem how institutions and trust can be created to make exchange possible. Agricultural historians have come to the conclusion that there were no serious supply constraints in pre-modern Europe; the flexibility of the agricultural system was such that increased demand could be easily met by growing supply. It was the growth of cities and of international trade that caused the increase in demand, that in its turn made an increase in agricultural productivity possible (the best survey of this literature is Grantham 1999). Therefore, important innovations in the agricultural sector as analysed by Lynn White and others cannot have been the single cause of the economic boom of the period. To explain the big boom, one has to show what caused transactions costs to go down, and thus helped increase market exchange, making possible the process of urbanization that occurred in this period. One has to search for pan-European processes which were specific for the ‘Latin West’ (in view of the deviating development of

Islamic Spain), and which made it possible to compensate for – or perhaps profit from – the political fragmentation occurring in the same period.⁶ Therefore the problem to address is: which institutions did Europe develop in the period between 900 and 1300, which made possible this combination of a decentralized if not fragmented political structure and economic development – so unusual in world history.

The Mann-Berman hypothesis

The starting point of our story is the disintegration of the Carolingian Empire, and the further implosion of some of the polities that succeeded it in the following two centuries. One has to remember, of course, that the power structure of the Empire was already closely intertwined with the Catholic Church – bishoprics and monasteries played an important role in keeping together the ‘extensive’ power structures on which the Empire rested. The disintegration of the Carolingian Empire set in motion a number of processes that would strongly increase the power of the church.

The reform of the monasteries by the movement originating in Cluny starting in 909 was a first response to political disintegration.⁷ An important element of the reforms proposed and carried out by the Cluniacs was that monasteries should no longer be quasi-independent (as Benedictine monasteries used to be), but part of a hierarchy controlled by the abbots from Cluny itself, and in the last analysis by the bishop of Rome. This reform movement was an immediate success – estimates of the number of new monasteries show a strong increase during the 10th century, which seems to precede the economic upswing of the late 10th and 11th centuries (Table 3).

⁶ An alternative hypothesis related to the development of trade has been formulated by Pirenne (1922); he argued that the ‘exogenous’ closing of trade routes around the Mediterranean, the result of the conquests by the Muslims in the 7th century, was the cause of the turn towards self-sufficiency and lower levels of income during the 8th and 9th century; similarly that the revival of international trade routes during the 10th century caused the transition towards the boom of the High Middle Ages; his hypothesis about the development of international trade (and related indicators of economic performance) has been falsified by recent research (see Verhulst 1989; McCormick 2001).

⁷ It is perhaps significant that the disintegration of the Roman Empire in the 5th century was also followed by a wave of monastic reforms, of which the foundation of the first Benedictine monastery at about 525 was the most important.

Table 3 Estimated numbers of monasteries in the Western Europe (6th-15th centuries).

	6	7	8	9	10	11	12	13	14	15
CentrE	0	0	0	0	16	79	458	718	695	690
Boh	0	0	0	0	17	32	113	119	107	113
Brit	236	460	463	437	437	526	1,325	1,530	1,447	1,333
Fran	586	988	1,240	1,636	2,091	5,051	8,104	8,564	8,189	7,554
Belg	0	53	68	70	88	175	313	364	361	335
Neth	0	2	4	7	13	20	68	189	336	679
Germ	0	138	622	824	1,129	1,652	2,873	3,110	2,967	2,752
Switz	10	19	37	71	104	144	247	321	337	333
Austr	12	11	70	99	113	186	344	406	413	372
Italy	291	306	495	704	995	2,072	2,990	3,405	3,416	3,333
Iberia	58	117	170	537	1,340	2,549	3,290	3,223	3,003	2,876
Western Europe	1,193	2,094	3,168	4,385	6,343	12,485	20,125	21,948	21,270	20,369
New foundations	1013	1,021	1,284	1,533	2,397	6,776	8,888	3,836	1,516	1,226
Increase in %		86	58	44	48	91	63	17	6	4

Source: Buringh and Van Zanden 2006.

In what was the core area of ‘feudal’ Europe – in France, Belgium, Germany, Northern Italy and the adjoining parts of Spain and England – the number of monasteries increased spectacularly (see below for a brief discussion of the possible reasons for this link).

The strong growth of the monasteries had a number of spin offs. It increased the stock of men (and women) able to read and write, and the output of books and other written products (Table 3).⁸ Monasteries also developed new ways to securing their growing riches. Probably in response to growing insecurity arising from the disintegration of the Carolingian Empire, they began to document their properties (or gifts they received, i.e. changes in property titles) in charters, as a proof of the fact that they owned a certain piece of land. Moore also suggests that the monasteries in this period introduced new ideas about ‘modern’, undivided property rights in this way: ‘The monasteries responded to this crisis in their relations with lay society by offering a dramatic clarification and redefinition of the terms upon which they held their lands’ (Moore 2000: 86). These men of letters assumed that written evidence – in the form of

⁸ Cf. see Buringh and Van Zanden 2006, where the link between monasteries and book production is analysed.

charters - was better proof of property rights than living memory, an assumption rooted in Roman Law that in due course became the cornerstone of the European legal tradition. The argument for written records has been summarized by Clanchy, citing William de Braose, a mid twelfth century monk: 'since memory is frail, and as the sage has said 'old age runs in from the first', it is necessary that things which are said or done be reinforced by the evidence of letters, so that neither length of time nor the ingenuity of posterity can obscure the notice of past events' (Clanchy 1979: 117).

It was also to protect their properties and people that the Church initiated the 'Peace of God' movement, in which again the Cluniac monasteries played a significant role. The first clear examples of Church councils trying to impose some kind of peace on their population date from 975 (Le Puy, in Central France); bishop Guy assembled an open-air meeting of the knights and peasants of his diocese 'to hear from them what advice they had to give about keeping peace' (Cowdrey 1970: 43). Among the instruments used to enforce the peace of God was the threat of excommunication. Participants in the meetings took oaths, reinforcing their commitment to the idea of social peace. But often bishops and abbots could also call on relatives who were knights, or otherwise pressure people into taking the oath 'to respect the goods of the church and of the *pauperes*' (Cowdrey 1970:43). Soon, the protected group was extended to include travelers (often merchants, but also pilgrims), peasants (the paupers mentioned already in the first texts), and women. A further development was the Truce of God, an attempt to stop all violence during certain periods, mainly Christian holidays; as time went on this was also applied to festivals and fairs. Although the success of these movements was limited, lay rulers and the papacy were able to build on them; as observed by Mann 'they gave rise to medieval distinctions between "just" and "unjust" wars and to rules governing treatment of noncombatants and the vanquished'.... 'the moralizing and the admonitions were felt to have some potential force, and they emanated not from within the state but from Europe as a whole' (Mann 1986: 382).

The Peace of God movement suggests that the Church stepped in where 'the state' failed, and attempted to pacify social and political relations and create law and order.⁹ The Church, therefore, clearly 'profited' from the power vacuum that emerged during the 10th century, was able to strengthen its position (as a result of internal

⁹ The bishop of Cambrai between 1002 and 1051 resisted for example the Peace Movement because he thought that the Emperor was still very able to guarantee law and order there (De Jong 1982: 282).

reforms such as the Cluniac movement) both economically and ideologically, and created a stronger power base in these years. The Papal Revolution of the late 11th and 12th centuries was in a sense the logical culmination of these processes.

Berman (1983) has explained how in his view the emergence of the Western legal tradition in the 11th and 12th centuries was in a way a by-product of the Papal Revolution of ca 1070-1122. The legal system of Europe before the 10th century was a rather fragmented mixture of Germanic and Roman law traditions, combined with rulings and doctrines issued by (different parts of) the Church, often (in a rather loose way) based on the Bible (both the Old and the New Testament). But, as Berman writes, ‘There were no professional judges or lawyers. There were no hierarchies of courts. Also lacking was a perception of law as a distinct “body” of rules and concepts. There were no law schools..... There were no developed theories of the sources of law’ (Berman 1983: 85) This was all to change during a brief period – basically in the century between 1050 and 1150. An important element in this change was the rediscovery of Roman law, as laid down in the Justinian civil law, which led to a sudden, strong increase in interest in law. But this occurred in a period in which the central question was the relationship between church law and secular law – a debate that resulted from the Papal Revolution beginning in the 1070s.

The core issue was the right to appoint (investiture) bishops and other religious dignitaries – a right previously held by (or shared with) secular authorities. By claiming this right, Pope Gregory VII declared the Church to be free from secular control and the sole religious authority, whereas previously Kings had shared in this religious authority and had been one of the intermediaries between the believers and God. By formulating this claim, the religious and the secular were separated; kings were stripped of part of their power, and separate spheres of authority and law were defined, which became characteristic of Europe ever since. In short, a separate legal order was created, the Church, and the legal system that governed it was systematized. Out of the different traditions and doctrines and through the application of reason and logic, the canonists – in particular Gratian, who published the ‘bible’ of canonic law, the *Decretum* in 1140 – developed a systematized set of laws governing of the Church and many related topics, such as family life. This included laws concerning testaments and similar contracts (in which the Church had for obvious reasons a vested interest), but was also concerned with the protection of the poor and the vulnerable (widows and orphans). The harmonization of canon law carried out by Gratian was based on a systematic inquiry

into the hierarchy of legal principles – custom, for example, was considered to be subordinate to ‘natural law’ – and on the dialectic method that aimed at the reconciliation of opposites. These methods and principles made it possible to bring order into the chaos of different legal traditions that existed before the canonists (Berman 1983: 145).

In short, between 1072 and 1150 a systematic set of laws was created regulating not only the governance of the Church, but also large parts of social and economic (and political) life. In response to these growing claims by the Church on decisive influence in secular affairs, the emerging states of Western Europe were induced to develop their own law systems. The growing attention to law that resulted from this competition between Church and state, led, in combination with the rediscovery of Roman law, to a rapid increase in interest in different law systems and their development and (in)consistencies. A legal science was born, taught and practiced in the new universities that sprung up all over Europe in the next century (Berman 1983: 160-164).

The following features characterized the new legal system that emerged in the Latin West in the centuries after the Papal Revolution. Firstly, a strong belief in the rule of law, which applied in principle to all – the prince as much as his subjects. Underlying this idea of the rule of law was a strong sense of equality before the law, although in practice this was of course mitigated by socio-economic inequality of the period, in which a knight would indeed often be treated differently than a peasant. A second important feature was that the coexistence of a large number of different sub-systems: canon law (governing the Church and its believers), urban law (governing the city and its inhabitants), feudal law (governing the relations between the king and his vassals), manor law (about the relations between the lord of the manor and his serfs or free peasants), in combination with national law traditions (often based on customary law, but increasingly influenced by Roman law and conscious attempts to engineer law traditions), all rationalized and systematized according to the newest scholastic procedures. This coexistence was a source of dynamic change, and law was increasingly seen as subject to steering and engineering – not the product of a immutable past and unchanging customs, but forward looking and adapting to changing circumstances. But it was not the spontaneous change of ‘tradition’ that was to characterize the European law system, but the regulated change of learned debate (as carried out by the great canonists), of written laws and constitutions and written law books and learned

compendia, that was to become characteristic of the development of the new law system.

Moreover, following the trend set by the monasteries in the 10th and 11th centuries, the written word itself acquired a special significance. Laws were only valid when written down and written evidence acquired a privileged position in court proceedings, deemed superior to oral testimony based on memory.¹⁰ For the subjects of kings it meant that royal power could be restricted by the written word. First the kings and counts themselves began to hire clerics – literate men from the monasteries – to issue charters and define their rights and claims. But the subjects followed soon: they understood that they could safeguard themselves against royal predation by having rights that were written down – in city charters, in royal charters such as the Magna Charta, all the result of negotiations between subjects and their princes. This strong emphasis on the written word in itself severely limited the power of the sovereign, because ‘real’, unrestricted power is the power to do whatever one likes to do, unrestrained by any code. Moreover, power that has been defined in such a way, by writing down what its limits are, is by itself restrained, constrained – in a way, constitutionalized.

Finally, the fragmented legal system reflected the fragmentation of power that was a fact of life. The Papal Revolution itself implied that power within the Latin West would be divided between pope and emperor, the development of other law systems further contributed to this trend. Whereas in other societies ultimate power rested in the hands of the emperor or the king – and was therefore (in theory) ‘one and undivided’ – in Western Europe kings had to share with bishops and abbots, and lords had to share with cities and their citizens. Power not only became constitutionalized, but also the subject of negotiations between powerholders – between the emperor and the pope (resulting in a compromise solution to the investiture conflict), between kings and bishops, or kings and cities, and, at a lower level, between city governments and guilds. The end of the Investiture conflict, for example, was not a complete victory for one of the two parties, but a compromise, in which king and pope together shared the right to appoint a bishop (but final approval of such a decision had to be given by the pope), but both could also block each others candidates.

¹⁰ Clanchy 1979: 231ff. dates this change in the 13th century, but England may have been a forerunners in this respect.

The church, to some extent, became the central regulator in the fragmented system of polities and law systems that emerged. To cite Mann again: “The most extensive interaction network centered on the catholic church. Catholic christendom extended over an area of something like a million square kilometers, about the same area as the most extensive empires of prior history, the Roman and the Persian ... The infrastructure of papal power over such an enormous terrain was severely limited. But by the late eleventh century, this ideological power network was firmly established throughout Europe in two parallel authoritative hierarchies of bishoprics and monastic communities, each responsible to the pope. Its communications infrastructure was provided by literacy in a common language, Latin, over which it enjoyed a near monopoly until the thirteenth century. Its economic subsistence was provided for by tithes from all the faithful and by revenues from its own extensive estates.... Ideologically, it was sustained by a monarchical conception of religious authority, asserted to be superior in an ultimate sense to secular authority’ (Mann 1986: 379-80). Berman also stresses the state-like characteristics of the church in this period: ‘It claimed to be an independent, hierarchical, public authority. Its head, the pope, had the right to legislate, and in fact Pope Gregory’s successors issued a steady stream of new laws... The church also executed its laws through an administrative hierarchy, through which the pope ruled as a modern sovereign ruler through his or her representatives. Further, the church interpreted its laws, and applied them, through a judicial hierarchy culminating in the papal curia in Rome’ (Berman 1983: 113-114).

So the net result of these two forces – the movement that started with the monasteries to write down property rights in charters, and the much broader changes in the definition of power which resulted from the Papal Revolution – was that power became *constitutionalized*, defined and restricted by the written word, and *negotiable*, potentially subject of negotiations between the parties involved, and therefore also *partiable* (as the pope and the emperor had been able to share the investiture of bishops). This was a fundamental different conception of power than we find in most non-European societies in this period (and in Antiquity), where power was in principle unified, top-down, and monolithic.

The Greif-De Moor hypothesis

More or less simultaneous with the Peace of God movement led by the Church – by bishops and abbots – tried to contain and repress conflict and open warfare on the French countryside, an alternative strategy was tried in London, where the inhabitants of the town, ‘with the encouragement and support of King Athelstan’, formed a *gegildan*, in order to maintain peace and security in the city (Epstein 1991: 40). It is one of the first uses of the word guild (dated in the 920s or 930s), but this ‘peace guild’ did not have the corporate characteristics that later guilds would acquire. The guild was considered identical to the group of persons that solemnly pledged to support and defend one another, which also included to ‘honour deceased members with gifts for their soul and commemorative singing of the Psalms’ (Epstein 1991: 40). The involvement of the king with this institution was limited; in Cambridge a similar guild was set up in the late 10th century, which appears to have been a private association, not regulated by the king (Epstein 1991: 40).

It is, of course, only natural that the collapse of central authority was followed by ‘bottom up’ attempts by groups of individuals – merchants, citizens of a town such as London or Cambridge – to protect their property rights. Such initiatives could build on earlier examples; there existed, both in the Mediterranean and in the North Sea area (building on Germanic customs), traditions of merchants working together, in which often religious, social and economic motives were intermingled. Conviviality - fraternal dinners and drinking parties - were an important ingredient in these still relatively informal ‘merchant guilds’ (Reynolds 1984: 68-70, 158-166).

Such ‘horizontal’ institutions acquired a new significance during the century of the Investiture Struggle between 1050 and 1150. In Northern Italy, the center of the movement to establish communes (quasi-independent city-governments), the first signs of increased stirrings by the inhabitants of towns to gain a larger degree of independence go back to the late 9th century; already in the middle years of the 10th century ‘insubordination grew’ (to quote Jones (1997: 131), who wrote the classic study on the movement), and ‘cities started seeking to limit, regulate, and in some degree appropriate government.... developing further the habits if not the institutions of corporative action’ (Jones 1997: 131). But the real break through came later: ‘Formal and full self government, the final, crucial transition from ‘liberties’ to ‘liberty’, *civitas* to commune, was the work of the later eleventh century, more precisely the critical

years from 1075 to 1122', when the cities were helped quite a bit by the imperial-papal schism (Jones 1997: 134). This link between the rise of the communes and the 'general turmoil' of these years has also been documented by Hyde, who gives examples from Pisa (1081), Genoa (1056) and Bologna to make the point (Hyde 1973: 49-53).

Communes were 'personal, sworn associations' of the inhabitants of a town, who in this way became true 'citizens', to defend and strengthen the rights of the town. Councils and parliaments were an integral part of the organization of the commune, which showed 'quite a high degree of participation in the making of decisions' (Hyde 1973: 54). By the middle of the twelfth century, almost all cities in Northern Italy were governed by more or less independent communes, an independence that was recognized at the Peace of Constance (1183) after Emperor Frederick had been defeated by the Lombard League of Italian cities (Coleman 2004: 41). Charters – in this case the peace treaty of Constance – played a crucial role in the process; cities jealously collected those 'privileges', deriving much strength from this written evidence of their 'liberty'.

A second, more or less independent center of the communal movement was Northern France and neighbouring Flanders and France, where, from the 1070s onwards, starting in Le Mans (1070) and Cambrai (1077), the communal movement began to spread to a large number of large (and small) cities in north Western Europe (Reynolds 1984: 176; Stephenson 1933: 27-42; Verhulst 1999: 125-7). Within half a century the movement had spread to the large cities in Flanders, to the main city in the Northern Netherlands (Utrecht), to many cities in the north of France (Laon had a famous commune between 1109 and 1112), and to Cologne (Reynolds 1984: 173-7).

There are close links between the model of the 'commune' and that of the 'guild' – sometimes merchants guilds preceded the establishment of a commune, and sometimes guilds were set up after some measure of self government of the city was realized. In Italy the guilds followed the communes. Jones typifies guilds as 'new organizations, products and instruments of expansion'.... which 'developed from the early twelfth century, comprising at first – except in the most commercial cities, Venice and partly Genoa, where trade interests required no incorporation – societies of mainly merchants and professional groups, justices and notaries (and in time even schoolmasters), then unions of shopkeepers and artisans' (Jones 1997: 229; also Hyde 1973: 73-74). In England, Northern France and the Low Countries, rudimentary merchants guilds appeared on the scene before the communal movement; the best example is probably the merchant guild from Tiel, in existence at about 1000 (Reynolds

1984: 165-7; Verhulst 1999: 123-5). In England, where the communal movement was less strong due to the greater power of the central monarch, the merchant guilds may to some extent have been a substitute for the growth of communal power (Britnell 1996: 27-28).

From the 11th century onwards, these initiatives were given a much greater degree of continuity, because out of these relatively informal groups corporate ‘bodies’ emerged. This was one of the key concepts developed during the legal revolution of the 11th-12th century. The core was the legal idea of treating a collective body of people as a unit, a corporation or *universitas*. ‘Legally a corporation (*universitas*) was conceived of as a group that possessed a juridical personality distinct from that of its particular members. A debt owed by a corporation was not owed by the members as individuals; an expression of the will of a corporation did not require the assent of each separate member but only of a majority. A corporation did not have to die; it remained the same legal entity even though the persons of the members changed.’ (Tierney as cited in Huff 1993: 134). This idea of a ‘group’ forming one single juridical entity – of which the existence became independent of that of the individual members of the group – was of course already quite old. The church was such a ‘body’, monasteries and fraternities (the latter also a relatively recent development) could be seen as bodies as well. Muslim law knew the *waqf*, a foundation of which the aims could (in principle) not change anymore once it had been founded. By contrast, the medieval *universitas* was much more flexible – the majority of members could in principle change its rules. This also gave the *universitas* a distinct ‘democratic’ flavour: the rule of the body could indeed be changed when the members so decided, which meant that one needed institutions – meetings of members, (elected) councils representing the members – that could do so.

How did the corporate bodies of Western Europe, which emerged in the centuries after 1050, when first the communes and merchants guilds arose and, subsequently, craft guilds, help to solve the ‘fundamental problem of exchange’? Greif (2006) pointed out that merchant guilds did so by regulating the ‘community responsibility system’. There is a large body of literature arguing that craft guilds fostered market exchange by (a.o.) ensuring quality controls, maintaining and transferring technical knowledge (between generations and in space), and by regulating prices and qualities, thereby lowering transactions costs (Epstein (1998), Gustaffson (1987), Persson (1988), Prak (1992; 1994)). It is beyond the scope of this essay to review the debate here; the element that

has been added by De Moor (2006) is to point to the similarities between different forms of ‘corporate collective action’ (i.e. merchant and craft guilds, and commons) that emerge in Western Europe in this period, and stress the links – as Greif did in his seminal work - with the developing market economy. The core of the argument developed by De Moor is that guilds and commons were forms of collective action that created a suitable ‘*modus vivendi*’ to combine participation in the market with protection for the negative side effects of that market.... Both commoners and guild members tried to avoid the negative side-effects of the still weak and incompletely developed market by protecting their capital goods.’ Commoners ‘tried to protect the valuable and exhaustible resources they had. If these could simply be sold on the market, this would threaten the sustainable government of the resources and thus also the income of the commoners, since they were dependent on the common for their commercialised agricultural produce’. Similarly, ‘the guilds faced similar threats on their income if they didn’t put limits to the commercial benefits to be reaped from their members’ production. The capital goods they needed to protect were their knowledge and learned skills’ - their human capital. The guild regulated how this knowledge was made available to others, who were not members of the guild, and regulated the ways in which this capital good was being exploited; the rules were aimed at the guaranteeing of a reasonable (and more or less stable) level of income. ‘In situations with such unreliable markets, whereby large fluctuations can be expected in the returns on one’s investments, collective action institutions’ aimed at guaranteeing stability ‘can offer an attractive *modus vivendi*.’ (De Moor 2006) Therefore, craft guilds were an essential element in the emergence of a market economy in these centuries.

The more generalized case for the importance of these corporate bodies – whether communes, merchants guilds, craft guilds or commons – is that these *universitates* were relatively efficient modes of developing new institutions. The rapid growth of market exchange during the 11th-13th centuries meant that new rules had to be invented and implemented about how to regulate the market (in fact, about how to ‘invent’ the market, as the market itself was and is a set of rules). These corporate bodies were grassroots organizations whose members knew from experience what the problems were, and therefore could develop new rules (or copy ideas developed elsewhere) about the desired and optimal way of organizing market exchange. The flexibility of these corporate bodies – in which the members in principle had certain democratic rights to

change the rules of the game – meant that rules could be relatively easily changed, although quite often one needed the permission by a ruler to do this (an amendment of the privileges of the guild or the city required the approval of the city and/or the king, but this obviously fitted in the negotiability of power that became the norm in the same period). But at the same time these corporate bodies guaranteed stability of the market environment; they were in principle ‘eternal’, survived the generations (in fact, many survived for many centuries), and therefore offered the stability that is necessary for regular market exchange. In short, these corporate bodies were good ‘instruments’ in the search process for efficient institutions that could govern market exchange.

This balance between flexibility and adaptability on the one hand and stability and fixity on the other hand, is mirrored by the balance between regional and local variation and the ‘Europeanisation’ of Europe. The search process described made it possible to develop local or regional variations of the ‘rules of the game’ – there were, for example, ‘families’ of city privileges (cities copying each others basic constitutions, but with important local variations), similarly there were families of commons ‘constitutions’ and many similarities between guild ordinances in the same cities or regions. But, and this is perhaps more striking, the two processes described here – the revolutions from above and from below – together produced a process of homogenization of European rules and practices. The same institutional models – communes, merchant and craft guilds, fraternities, religious and knightly orders, charters, markets and fairs¹¹ – were copied all over the Latin West. The ease to which these models traveled within Europe – how the model of the commune, the self governing town, for example was copied and adapted in the most distant corners of the sub-Continent – testifies to the cultural homogeneity that was characteristic of those centuries. This greatly enhanced predictability; it made it possible to know in advance what kind of rules a merchant would have to deal with when he was doing business abroad, because, for example, the ‘community responsibility system’ was a pan European phenomenon (Greif 2006), or because self-governing cities who administered justice themselves – and were therefore to some extent independent from royal or other interference in this respect – were everywhere.

¹¹ See Britnell 2001 for the rapid and pan-European spread of institutions related to market exchange in this period.

A third response to the power vacuum: feudalism and manorialism

Literature on social and economic developments in the Middle Ages usually devotes much attention to feudalism. It is a difficult concept, which has been used and interpreted in many different ways. Within the context of this paper, what has been called the ‘feudal revolution’ – or more recently, processes of *encellulement* and the linked rise of the *seigneurie* - seen as a third response by local lords to the power vacuum that occurred in parts of Western Europe in the 10th and 11th centuries (for a recent discussion see Fossier 2000; Bisson 1994, Wickham 1997). Local lords acquired a degree of independence from their king or count, and used the increased power this gave them to create a kind of mini-states around their castles (the physical parallel to the movement was the spread of mounds or *mottes* in the 10th and 11th century countryside, symbolizing the growing power of these castellans). These local lords used their power to impose new taxes and duties or to reimpose old ones (Fossier 2000: 50-53), resulting in ‘growing pressure’ ‘exerted by seigneurial power on productive forces’, i.e. on their ‘personal dependents’ (Duby 1974: 177, 181). Whereas the disintegration of the Carolingian Empire seems to have led to the decline of the big estates characteristic of the period, the 10th and 11th century saw a (renewed) rise of manorialism, based on the exploitation of demesnes using dependent labour.¹²

Probably linked to this a redefinition of power relationships between lords and peasantry, the bonds between lords themselves – between local lords and kings or counts, were also transformed. According to the ‘classic’ interpretation of the rise of feudalism, the relationships between lords and kings became bonds of vassalage, based on the taking of oaths by men of honour; this part of the ‘feudal mutation’ has however been subject to much criticism (for example Reynolds 1994).

In his seminal study on ‘the early growth of the feudal economy’ Duby has argued that it was the increased pressure on the peasantry that produced the surpluses that set in motion the growth of the European economy in the 10th and 11th centuries. Increased surplus production for the feudal elite – kings, local lords and monasteries - led to growing demand for luxury commodities, necessitating the formation of focal

¹² Verhulst 1995: 495-7 for the decline of the Carolingian estates; Fossier 2000: 42-45 and Duby 1974; the principle difference between the Carolingian estates and the post-Carolingian manors was that the latter did not use slave labour anymore, and all coerced labour was carried out by serfs which had certain claims to the land they used.

points of exchange, often near castles and abbeys. In this way the rise of the *seigneurie* was the main driving force behind the revival of international trade during the first phase of the ‘big boom’, reflected in the increased level of urbanization during the 10th century. The strong growth of the number of monasteries is also linked to these processes because they were embedded in the new rural institutions that evolved during the ‘feudal revolution’ (often they may have taken the initiative as well). The ‘new’ lords also helped to set up new markets (which they might tax), and tried to profit in many different ways from the new changes they had to some extent created themselves – by taxing the inhabitants of the newly arising towns, by introducing and extending tolls on rivers, etc. This gave these lords the incentive to further trade, for example, by issuing privileges for towns in their territory.

But in itself, the new set of institutions during the feudal mutation did not really address the ‘fundamental problem of exchange’; on the contrary, the rise of *sieigneurie* created a fragmented patchwork of local rulers all fighting each other, which was very harmful for trade. Feudalism and the rise of the *seigneurie* were as much part of the problem as part of the solution. The actions of the Church and the merchants, who were driving the revolutions from above and below, were to a large extent aimed at pacifying the contentious relationships between these semi-independent local lords.

The ‘feudal mutation’ of the 10th and 11th century had a dual impact on Western European society: it generated new demand for luxurious products and means to pay for it (by increasing the pressure on the peasantry), but it also led (as in France around the year 1000) to political fragmentation that in turn produced internecine warfare that harmed market exchange. The potential gains from institutional improvements that would pacify the knights and improve conditions for market exchange, increased strongly as a result – as we have seen, both from the top down and from the bottom up attempts were made to resolve this tension.

So feudalism and manorialism played an important role in rise of Europe in this period, but this third response to the power vacuum did not create the new institutions that would make the difference. To underline the point, manorialism and serfdom began to decline – under the influence of growing commercialization – in Continental Europe from the 12th century onwards, as wage labour and the payment of rent proved to be more efficient than coerced labour. The most lasting legacy of feudalism was probably in the field of state formation: it created the building blocks for the territorial states of Western Europe that would emerge in the late medieval period (Tilly 1990).

And what about the Middle East?

Attempts to explain the success of Western Europe should perhaps also try to account for the relative decline of other parts of the world. It has been argued so far that one of the reasons for this success was that Western Europe – thanks to a combination of ‘top down’ and ‘bottom up’ initiatives – developed relatively ‘democratic’ institutions which facilitated market exchange. The problem is then why equally ‘democratic’ Islam (which has a similar notion of equality before Allah) did not develop comparable institutions. The start of Islamic economic development was brilliant. Within one or two generations after being conquered by Islamic warriors, regions became highly urbanized and monetized economies – much more so than they had been before the rise of Islam (Kennedy 2002). There is no doubt that Western Europe borrowed a lot from Islam – from the (translated) works of the great Greek thinkers (many of whom came to Europe via Islam) to important innovations such as the bill of exchange, paper, the windmill, not to mention the zero and (Hindu-)Arabic numerals. But undeniably, from the 11th or perhaps the 12th century onwards, the rate of progress slowed down, while at the same time European expansion accelerated (see for example Glick (1979) for a illuminating comparison of northern and southern Spain in this period). What did the Latin West have that Islam Middle East was missing is obviously one of the big questions in economic history.

Within the context of this paper I will only try to sketch some of the factors behind the ‘failure’ of the Middle East to sustain its dynamic development. An interesting approach has been suggested by Toby Huff (1993), who in his detailed study of the rise of early modern science in Western Europe analyzed the diverging institutional developments in both regions. His problem is why ‘modern science’ did not come into existence in the Middle East, although scientific inquiry achieved the highest standards there, but in Western Europe. The story is too complex to tell here in detail, but parts of it are relevant for our analysis.

One of the important differences between the two is institutional: from the 12th century onwards, Europe developed universities, independent bodies of scholars and students, which created not only continuity – much more than the Islamic *madrasas* which were more linked to the prestige of specific teachers (and would flower and

decline with their life cycle) – but also a separate space for independent inquiry and conflicting opinions, even independent from the teaching of the Church. This was not the case in the Islamic world, Huff argues; there scientific enquiry had to be located outside the madrasas, which were exclusively focused on the study of the Quran (Huff 1993). Islam also knew ‘independent bodies’ such as the *waqf*, but their role and function was much more limited than that of the corporate bodies of De Moor’s ‘silent revolution’. *Waqf* were foundations meant for all kinds of purposes – including charity, medical care etc.- but lacked, as a foundation, the flexibility to amend or change its course if its members decided so (which was one of the great advantages of the European style corporate bodies).¹³

But Islam also developed commercial partnerships – precursors of the commercial corporate bodies of the late Medieval period (such as the *commenda*). Kuran has, however, shown that the relative inflexibility of Islamic law, and in particular the failure to develop the idea that a partnership could be considered a separate body ‘independent’ of its members, created structural problems. ‘Whatever its exact form, an Islamic partnership ended with the demise of any of its members.... The heirs of a deceased partner did not automatically replace him. If the enterprise was to continue, a new partnership had to be negotiated. Every additional partner thus increased the risk of premature liquidation, so there were advantages to keeping partnerships small and limiting their planned duration’ (Kuran 2003: 421). The strength of kinship ties and the complexities of the Islamic inheritance system also played a role. The number of inheritors was strictly regulated by the Quran, and the possibilities for individuals to deviate from those rules were very small (‘the imposed testamentary restrictions clearly subordinated the individual’s personal preferences to the extended family’s need for financial security and predictability’ (Kuran 2003: 428)). This meant that at the death of one partner, one had to renegotiate the partnership with a large number of heirs, which can easily lead to ‘premature dissolution’. So the combination of strong kinship ties and the inability to develop the concept of a ‘corporate body’ mean that Islam did not develop the corporate entities that were quite important in European economic expansion.

¹³ In fact, Kuran argued that the rigidity of the *Waqf* once they had been established undermined in the long-term trust in their functioning (Kuran 2001) ‘In practice, the founder’s directives were often circumvented. An unintended consequence was an erosion of the *waqf* system’s legitimacy. In any case, legally questionable adaptations proved no substitute for the legitimate options available to corporations.’

Another fundamental difference was that Islamic law continued to rely on memory and personal testimony – and did not make the switch to a reliance on the written record that was so typical of the new law system of the Latin west. In Islamic courts, the reliability of written documents had to be demonstrated by witnesses, exactly the opposite from what was happening in Western Europe, where written documents were increasingly considered to be more reliable than human memory (Lydon 2007). We have already seen that this movement, which started with the issuing of charters by and for monasteries in the 8th and 9th centuries (as proof of the acquisition of certain properties), began to spread to other spheres, and formed a crucial element in the silent revolution of the 1050-1300 period: written charters issued by emperor and king became the constitutions of cities, privileges issued by city governments defined the rights and duties of guilds and fraternities, charters such as the Magna Charta between Kings and nobility. It was this cumulative growth of the written word – to some extent documented by the enormous growth of book production in these same centuries – that was rather unique for Europe.¹⁴ The growing demand for literacy and legal skills that arose as a result of these processes was a determining factor behind the emergence of universities – a process of fundamental importance to Huff's interpretation of the rise of modern science in Western Europe (Huff 1993). Universities were to some extent a spin off of the legal revolution of the 12th century; it was the demand for legal opinion, for literate and educated lawyers, clergymen or clerks, that stimulated the development of universities as *universitas*, and almost accidentally also created the institutions and the platform for the (other) sciences to flourish.

Another major difference was the character of cities. European cities had acquired the (semi)independent status of a corporate body, and were governed by merchant elites. Jones summarized the process by arguing that 'by functionally divorcing town and country and surrendering towns to trade, Europe erected something new and for centuries unique: a trading class with corporate identity, the first bourgeoisie. No single fact better explains or demonstrates the economic and social innovation of the Middle Ages' (Jones 1997: 33). No such thing happened in the Islamic world. Kennedy demonstrates that the spectacular growth of cities after the conquest by Islamic forces was mainly the result of the fact that the state decided to pay its military in cash, and rewarded its soldiers with handsome profits from the conquest and from the

¹⁴ Attempts to quantify the process in Clanchy 1979:42-46, Burgers and Mostert 2003: 137-9, and Buringh and Van Zanden 2006.

new taxes it introduced. Big cities were, in the first place, military encampments, spaces housing large numbers of (retired) military. Because the state managed to pay them in cash, this led to a sudden increase in demand for goods in these areas, which stimulated the growth of a commercialized economy, of which the infrastructure was already there (Kennedy 2002). The growth curve of these cities was one of spectacular increase in the years directly after the conquest, followed by a slow decline once the initial impetus began to peter out.¹⁵ Part of the process of commercialization may have been irreversible though; the commercial revival also created a much more developed economy which was able to sustain higher levels of taxation, making it possible to finance a larger state bureaucracy and military, which in their turn kept up demand.

Cities which were essentially military settlements and based on the extractive power of the state, developed quite differently from the ‘merchant republics’ of Western Europe. These were dominated by the gradual growth of (international) trade, which was first (between 900 and perhaps 1050) the result of increased ‘feudal’ exploitation of the peasantry. At some point, in the 11th–12th century, the growth of urban demand became a self-sustaining process, and the effects of improvements in institutions to address the fundamental problem of exchange began count, the combination of which resulted in a second phase of expansion: the brilliant finale of the ‘big boom’ during the 12th and 13th centuries. That growth continued after 1100, when the impetus of increased feudal exploitation was becoming weaker and weaker, that growth, in other words, continued in a period of political fragmentation, was mainly due to the two movements of institution building analysed in this paper.

Conclusion

It is perhaps no exaggeration that the great medieval boom of the 900-1300 period is one of the most under-researched phenomena in economic history. Our understanding of it is extremely limited, because of the paucity of records, the lack of detailed data charting relevant processes, and the near-absence of challenging hypotheses explaining the process. This paper has attempted to partially fill the gap by assembling, from the recent literature, (old and) new ideas and suggestions about what might have happened,

¹⁵ The cities of Cordoba and Palermo are probably the best examples of such a growth curve in Western Europe; see the Bairoch et.al. dataset at <http://www.iisg.nl/bibliometrics/urbanisation800-1500.xls>

and why. It has looked into three different attempts to fill the power vacuum that emerged in the 10th/11th centuries and to create state-like institutions that could re-establish law and order. It was, perhaps, the unique combination of, on the one hand, a relatively skilled population (in particularly the rapidly growing population of the monasteries, but increasingly also in the emerging cities) and, on the other hand, a power vacuum that left a lot of room for experimentation (and created strong incentives to succeed in those experiments), that may help to explain why this rather sudden ‘wave of institutional gadgets’ so characteristic of Western Europe between 950 and 1300 occurred.¹⁶ From the long boom of institutional creativity many institutions emerged that since have been considered typical for Europe, and that often have been held responsible for its long-term economic and political success: the rule of law, the importance of the written word, high levels of literacy, a conception of power that meant that it was negotiable and partiable – in short, a long series of institutions that all helped to protect property rights and therefore – following North – enhanced exchange and economic development.

It was the combination of feudalism and manorialism that played an important role in kick-starting economic development in 10th and 11th centuries, via increased pressure on the peasantry leading to growing demand for luxury commodities, to the renewed spread of markets and fairs near those centers and so on. But it was as much part of the solution as cause of the problem; the extremely high transactions costs of 10th century Western Europe were mainly caused by the internecine warfare between knights and princes, characteristic of the system (as the Peace of God movement shows).

Two ‘countervailing powers’, the Church and the communes (or more generally, groups of merchants), began to organize themselves in the 10th century. Their combined break through between 1050 and 1150 revolutionized the institutional structure of Western Europe. In many ways did they interact: the schism between Pope and Emperor, for example, gave the communes of Northern Italy and North Western Europe the opportunity to establish themselves. The concept of the *universitas*, developed as part of the legal revolution of the 12th century, played a key role in giving the ‘silent revolution’ the necessary stability and continuity. The redefinition of power and the fundamental role the written word began to play in it, did in a similar way sustain the movement from below. The Church supplied the clerics who played key role in the

¹⁶ The Industrial Revolution has sometimes been analysed as being caused by a ‘wave of technological gadgets’.

cumulative process of *verschriftelijking* in this period. One can perhaps argue that to some extent the two revolutions merged into one, and became almost indistinguishable, as is evident from the rise of universities or the growing importance of literacy

After the kick-start of the European economy due to the success of feudal exploitation of the peasantry, the process of growth changed course: a cumulative process of commercialization began in which the cities increasingly played a dominant role. It were the new institutions which were being developed in these centuries that made possible the acceleration of growth after ca 1100.¹⁷ The economic boom during the brilliant 13th century was not anymore driven by feudal exploitation, because in many parts of the Continent commercialisation and increased population growth led to a dissolution of manors and the disappearance of serfdom (only in England did commercialisation lead to an increase or at least a return of manorialism) (Poynder 2003). The institutions which emerged from the two medieval answers to the ‘fundamental problem of exchange’ as sketched here, became the real driving force of economic growth (Figure 2 recapitulates the outline of the argument).

The three movements analysed together also set in motion a process of state formation that rested on two different pillars: on cities in which there existed close and more or less ‘harmonious’ relationships between rulers and ruled (following the logic of the ‘bottom up’ process of institution building, cf. Van Zanden and Prak 2006), and on territorial states which transformed the ‘feudal’ relationships between lords and peasants gradually into more modern relationships between princes and subjects (cf. Reynolds 1984: 250 ff.). As Charles Tilly (1990) in his seminal study of the European process of state formation has demonstrated, this led to two trajectories of state formation that dominated the process from 990 to the beginning of the 19th century. It also accounted for the particular combination of political fragmentation and economic dynamism that was characteristic of Western Europe in the centuries from 1000 onwards: the competitive state system of the sub-continent, which has been identified as one of the crucial factors explaining the success of ‘the West’, obviously emerged between 950 and 1300. What was crucial, however, was not that there were many small and medium sized states, but that in spite of political fragmentation international trade was conducted on a very large scale, that transactions costs were low and that property rights were

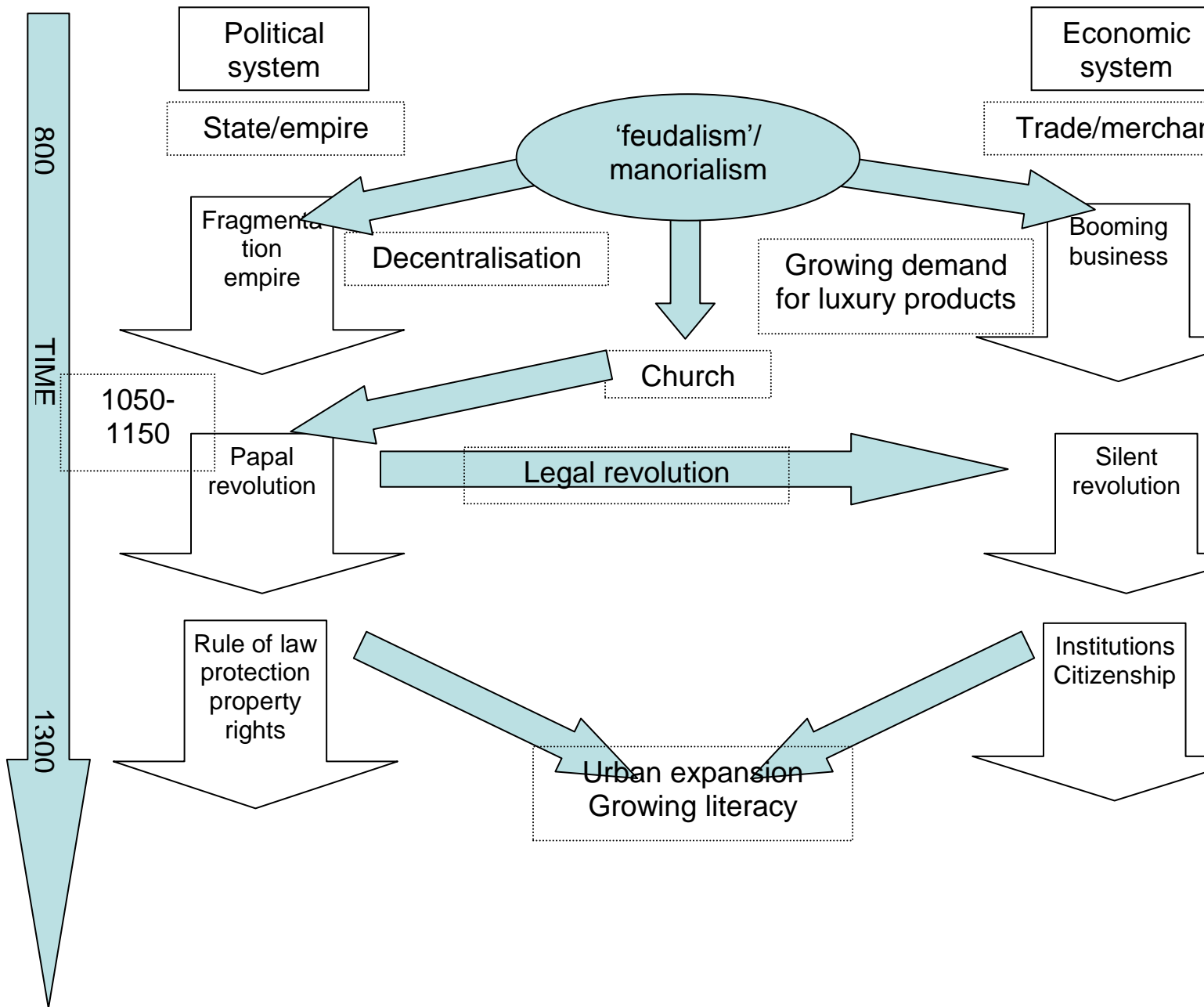
¹⁷ Britnell (1996) dates this second phase of expansion from the 1180s to the 1330s; perhaps it began already earlier on the Continent.

protected in manifold ways. It was not the competitive state system as such, that explains (or helps to explain) the European ‘miracle’, but the combination of political competition and economic cooperation (through trade) that was crucial for the long-term success of this part of the world.

The processes described defined the character of Europe for centuries to come: it became relatively ‘democratic’,¹⁸ literate, with a dense socio-political infrastructure (high levels of ‘social capital’), where people (often) obeyed the (written) law, and which possessed relatively efficient methods for developing and adapting new and old institutions (such as guilds, universities, communes, citizenship, law courts, councils, meetings and parliaments, charters and privileges, markets and fairs). It became, in short, a sub-continent on the road to ‘modern economic growth’, but how this specific institutional framework ‘delivered’ long term economic expansion is another story.

¹⁸ Hyde 1973: 54 about the communes which ‘show quite a high degree of participation in the making of decisions on behalf of the community’ adding also ‘Not, of course, that they were democratic in either the ancient or the modern sense’ But at the same time pointing at the ‘principle that authority was granted by the community’.

Figure 2 Simplified scheme of major developments in Western Europe 800-1300



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