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THE MEDIEVAL ORIGINS OF CAPITALISM IN THE NETHERLANDS

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I Introduction¹

One of the fiercest and most productive historical debates, but also one of the most ideology-laden, has been that on the transition from feudalism to capitalism.² Although interest in this specific debate and its ideological implications seems to be waning now, the importance of reconstructing and explaining long-term changes in economy and society is still clear. Not only are many of us curious about the origins of modern economy and society, but also a long-term analysis offers us the opportunity to better investigate and understand the causes of structural changes in economy and society, the geographical differences these display, and their effects. This task becomes ever more urgent, now we are getting more insight in the different trajectories various parts of the world have taken, and are still taking, and now we are becoming more aware of the striking differences which have arisen in the course of times between rich and poor parts of the world. This awareness has given rise, for instance, to the current debate on the Great Divergence and the causes of the differences in living standards between Europe and Asia.³ While some in this debate argue that these causes are located in the modern period, others would hold that their roots are located much earlier, perhaps already in the Middle Ages. This links up with the question what the role was of the differences in the organization of economy and society between these parts of the world, and the changes which occurred in this organization, as with the transition to capitalism.⁴ Similar questions are also discussed within the debate on the emergence and effect of global power disparities, in which Wallerstein and others attached a critical importance to the rise of capitalism in Western Europe.⁵ These debates all point to the importance of a deeper understanding of the nature of capitalism, the chronology of its rise, and its early roots.

¹ For their comments on previous versions of this paper I should like to thank Wim Blockmans, Chris Dyer, Klaas van Berkel, the participants of the ICHS preconference in The Hague (November 2008) and those of the History of Population and Social Structure seminar in Cambridge (March 2009).

² Cf. T.H. Aston & C.H.E. Philpin (eds.), *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe* (Cambridge, 1985).

³ On this divergence: L. Pritchett, 'Divergence, big time', *Journal of Economic Perspectives* 11 (1997) pp. 3-17, and F. Bourguignon & C. Morrison, 'Inequality among world citizens, 1820-1992', *American Economic Review* 92 (2002) pp. 727-44.

⁴ Cf. for instance P.H.H. Vries, 'Are coal and colonies really crucial? Kenneth Pomeranz and the Great Divergence', *Journal of World History* 12.2 (2001) pp. 407-446.

⁵ I. Wallerstein, *The Modern World System I* (New York, 1974) and II (New York, 1978).

The Netherlands lend themselves well to such a search for the early roots of capitalism. They stand out because of the early development of markets and market exchange, inducing some authors even to label it the first modern economy.⁶ The same authors, De Vries and Van der Woude, surmised that the roots of this development were to be found in the late Middle Ages, and probably found in the medieval institutions and structural conditions in the Netherlands, but they deemed this “a terrain where quantification is useless ... and tentative and suggestive treatments are as much as one can hope for”. Their judgment proved to be too pessimistic, however. In recent years economic-historical, socio-institutional and archaeological research in the Netherlands has made strong progress for the medieval period, also allowing us to quantify developments better than before. The Netherlands also stand out because of the economic growth it witnessed in the pre-industrial era and its robust position in industries and especially trade, culminating in its leading economic position in the 17th century, its so-called Golden Age. Lastly, and related to this, the Netherlands stand out because of its high level of urbanization. The urbanization rate increased from about 10 % around 1300 (a rough estimate), to about 35-40 % for the Netherlands as a whole and no less than 50-60 % for the western part of it at the end of the 16th century. At that time, the level was highest in all of Europe, having surpassed the other highly urbanized parts, the southern Low Countries (Belgium) and the centre-north of Italy. This forms a clear indication of the high level of specialization, the availability of surpluses and the importance of the secondary and tertiary sectors in the Netherlands.

The latter can also be calculated more directly, at least for Holland, the westernmost part of the Netherlands. Extensive reports by governmental commissioners on economic conditions in Holland for the period around 1500 make it possible to reconstruct the distribution of labour input in the various sectors of the economy.⁷ In this reconstruction, in the Holland countryside only 40-45 per cent of the labour input went into agriculture, one-fifth into fisheries, one-tenth into peat digging and groundwork (especially diking), one-tenth into shipping, and one-tenth into textile production. In Holland as a whole, town and countryside, only 25 per cent of labour was active in agriculture, supplying less than 20 per cent of the Gross Domestic Product (GDP). If fishing and peat digging are included, the primary sector still involved no more than 39 per cent of labour, generating only 31 per cent of GDP. Industry accounted for 39 per cent of GDP, and services for 30 per cent. In most other parts of Europe this low share of the primary sector was reached only in the 19th century. Without making a claim for some type of Dutch exceptionalism, it is clear that these precocious developments make the Netherlands an interesting field for investigating the medieval roots of capitalism.

But what exactly is capitalism? The use of the term capitalism, or the term transition from feudalism to capitalism for that matter, is no longer self-evident, perhaps because of its ideological charge. Instead, most historians now prefer to use such rather vague notions as ‘modernization’ and ‘rationalization’, often portraying these processes as benevolent, and almost necessary, lending their histories a teleological flavour. This lack of

⁶ J. de Vries & A.M. van der Woude, *The first modern economy. Success, failure, and perseverance of the Dutch economy, 1500-1815* (Cambridge, 1997) pp. 159-165.

specificity hampers research. Particularly, it makes it difficult to analyze and explain why these developments show such marked geographical differences, even between neighbouring areas. These differences existed even within a relatively small territory such as the Netherlands, as will become clear below.

In order to allow for a real analysis we will use what is perhaps a subjective and restricted but nevertheless sharp definition of the transition from feudalism to capitalism, namely the transformation of a society dominated by small, independent producers who had a strong grip on the means of production and whose produce was partly extracted by non-economic force and/or exchanged by other ways than the market, into a society in which there is a pronounced division between propertyless wage-earners and entrepreneurs who own the means of production, and thus have a way to appropriate the surplus. In this situation, most of the exchange of goods, but also of land, labour and capital, is by way of the market, and the related competition fosters a continuous drive for profit and the re-investment of profits. This definition leads to a number of elements to be investigated in order to analyse the transition to capitalism and to define its chronology. The main elements are the social distribution of property, the distribution and transfer of surpluses, and the rise of markets for land, labour, capital and goods.

Especially the rise of wage labour is a main element of the structural transformation of economy and society. The change from coerced labour and independent labour, dominant in most parts of Europe until the modern period, to wage labour, perhaps forms the most fundamental element in the transition from the medieval, feudal society to the modern, capitalist one. It created a mass of people, often largely or fully proletarianized, who were legally free but became dependent on the sale of their labour in the market and thus subject to competition in the labour market, with strong effects on their social and economic behaviour. Also, a large reservoir of wage labourers now came into being, available for agricultural and industrial entrepreneurs who strove to expand their enterprise. These labourers, as well as other groups, no longer had direct access to the means of subsistence, requiring them to use the market for goods in order to acquire their necessities. Accumulation of the means of production, and the concomitant proletarianization, was also facilitated by the growing market exchange of land and capital and the ensuing market competition. This paper investigates to what extent, and how, these elements came into being in the Netherlands already in the later Middle Ages.

In order to explain structural changes in this field, historians have often looked at such elements as the rise of trade, cities and markets and the monetization of the economy. In some definitions of the transition these elements are presented as though they constitute the heart of the transition, and in others as though they were at the least the driving forces behind it. This view seems particularly tempting for the late medieval Netherlands, since this became the most urbanized part of Europe. In most of the older studies on structural changes in the economy and society, cities were almost automatically the focus of attention, following the traditional idea that these were the new, non-feudal elements in a rural feudal sea, where developments and changes first occurred. From the towns these changes would have radiated over the surrounding countryside. However, recently, it has become clear

⁷ J.L. van Zanden, 'Taking the measure of the early modern economy. Historical national accounts for Holland in 1510/1514', *European review of economic history* 6 (2002) pp. 131-163.

that this focus on the cities is no longer tenable, even for the highly urbanized Netherlands. This is partly the result of the reception of international literature nuancing the “modernizing” role of towns, showing that these too could be an integral part of a feudal structure and did not at all always undergo a rapid transition, and the literature on proto-industrialization and the agrarian roots of capitalism. These studies made us aware of the fact that sometimes changes were even more rapid in the countryside than in the towns. Publications on proto-industrialization, for instance, suggest that capitalist relations of production often emerged earlier in rural industries than in many cities dominated by guilds and small commodity production. These ideas are increasingly incorporated into recent studies published on the transition to capitalism in the Netherlands, where full attention is paid to the countryside and particularly to the interaction between town and country.⁸ An added element for the Netherlands is the approach which highlights the regional character of these developments and the resulting regional diversity.⁹ This also opens up possibilities for comparative regional analysis.

This regional approach is even more suitable for the Netherlands than for some other parts of Western Europe, since the present-day Netherlands in the period investigated did not form a single state or principality, but rather was covered by a large number of principalities and lordships. Only slowly these became incorporated into the Burgundian and later Habsburg empire, together with the southern parts of the Low Countries and other areas outside the present-day Netherlands, and even then they retained many of their administrative-legal differences and peculiarities.¹⁰ Economically, regional differences within the Netherlands were also pronounced, and they were not necessarily overlapping with political boundaries. In the economic sphere, the regions interacted not only with each other but also, and ever more intensely so, with other parts of Western and Northern Europe, as most notably Flanders, Brabant and northern Germany. This interaction took place by way of the market for goods, but also that for capital and even labour. In this interaction, each region followed its own distinctive and sometimes complementary path, and as a result regional differences often became even more pronounced in the course of the later Middle Ages. Some attention will be paid to these regional differences, but the main focus is on generalizations for the Netherlands as a whole and the specific experiences of some prominent regions, namely those undergoing the most conspicuous development.

We will use the opportunities opened up by recent studies in order to investigate whether the transition to capitalism in the Netherlands started, or even evolved, already in the late Middle Ages, and when and how this happened exactly. To this end we will first reconstruct the chronology of the emergence of market exchange. Next (section III) we will look at the process of proletarianization. In the following section (IV) we will

⁸ A main example: P.C.M. Hoppenbrouwers & J.L. van Zanden (eds.), *Peasants into farmers? The transformation of rural economy and society in the Low Countries (Middle Ages-19th century) in the light in the Brenner debate*. CORN 4 (Turnhout, 2001). Cf. also P. Brandon, ‘Marxism and the “Dutch miracle”. The Dutch Republic and the transition debate’, paper 2009.

⁹ This is a leading theme in: B.J.P. van Bavel, *Manors and Markets. Economy and Society in the Low Countries, 500-1600* (Oxford, 2010).

¹⁰ W.P. Blockmans & W. Prevenier, *De Bourgondiërs. De Nederlanden op weg naar eenheid 1384-1530* (Amsterdam, 2000).

reconstruct geographical differences in these processes, both within the Netherlands and between the Netherlands and elsewhere. In order to explain at least partly these differences, we will look at the institutional organization of markets (section V). Lastly, we will look at the effects of these elements on the actual functioning of markets (VI) and on economy and society more broadly (VII).

II Chronological development of market exchange

Recent investigations allow us to reconstruct the chronology of the emergence of markets in the medieval Netherlands fairly well. This emergence was early in an European perspective. The crucial take-off of the market for goods and products was the 11th/12th centuries, and that of the markets for land, lease, capital and labour the 13th/14th centuries. In some regions this development took on almost revolutionary forms, as with the breakthrough of the leasing of land for short, competitive rents in the Guelders river area. Here, the leased out area increased abruptly in the decades around 1300.¹¹ Around the mid-14th century, the large landownership in the area was almost wholly given out in short-term lease. In all respects, these leases conform already to the definition of present-day short-term leases, with clear contractual, voluntary, economic characteristics. By the 16th century more than half of the land in the Netherlands was leased out for short terms, while the Netherlands also possessed a lively land market, resulting in a high mobility of both land ownership and the right of land use.

The rise of wage labour was more gradual, with the 13th and 14th centuries probably seeing an acceleration of the process. In the 16th century about a third to half of all labour in the Netherlands was performed for wages, in the countryside of the Guelders river area even almost 60 %.¹² Especially in the countryside and in the urban services sector free, contractual wage labour became very substantial. In regions such as the Guelders river area and Holland the wage relation generally was less personal than elsewhere, or sometimes even impersonal, partly connected to the wide area of recruitment of the labourers. Arrangements between employer and labourer were formal and based on the payment of a money wage, paid regularly, for instance on a daily, weekly or monthly basis.

Also, there was a well-developed capital market, which started to emerge in the 13th century and saw its breakthrough all over the Netherlands in the 14th century. This capital market was not characterized by sophisticated instruments and high-brow financial techniques, as found in northern Italy and Flanders, but rather by a great number of small participants being able to obtain long-term credit at ever lower interest rates. In the 16th century the interest rate had reached 6 %, a level not very dissimilar from the present one. A substantial share of the households participated in this market, in Holland perhaps more

¹¹ B.J.P. van Bavel, 'The emergence and growth of short-term leasing in the Netherlands and other parts of Northwestern Europe (11th-16th centuries). A tentative investigation into its chronology and causes', in: Id. & P. Schofield (eds.), *The Development of Leasehold in Northwestern Europe, 1200-1600*. CORN 10 (Turnhout, 2009) pp. 179-213.

¹² B.J.P. van Bavel, 'Rural wage labour in the sixteenth-century Low Countries: an assessment of the importance and nature of wage labour in the countryside of Holland, Guelders and Flanders', *Continuity & Change* 21.1 (2006) pp. 37-72.

than half.¹³ There is some evidence of the volume of capital markets from 15th/16th-century Edam, a small town to the Northeast of Amsterdam. Its tax registers, which offer only a minimum figure, show that a considerable proportion of the households either owned or owed long term debt. In Edam the proportion fluctuated from at least a fifth to half, and in the surrounding countryside about half of this. Short term debts must have been even much more widespread. Markets for goods and products were also large. In the 16th century, most of the agricultural and industrial production was brought to market, and no longer consumed within the household or exchanged by other mechanisms than the market. Of the end-products of agriculture and industries in Holland probably some 85-90 % was destined for the market; these markets were found in Holland, in other parts of the Netherlands, but also in Flanders, Brabant, the Rhineland and even further away.¹⁴

Already in the 16th century, the exchange of land, labour, capital and goods by way of the market in most parts of the Netherlands had far advanced or already had become dominant. This fundamental transition had evolved in a few centuries. In this relatively short period the dominance of mostly self-sufficient, small-scale production, and the combination of all kinds of unspecialized economic activities within the household, disappeared. Also the situation in which the exchange of land, labour and capital were firmly embedded in personal networks, with a strong influence of relatives, neighbours, co-villagers and the local lord, now disappeared. In its place came a situation in which this exchange was mainly through the market, a change which had radical consequences. The main ones were the sharpening of economic competition, which in its turn resulted in further specialization, ongoing investment and accumulation, but also in an increase of geographical mobility, social polarization and proletarianization.

III Processes of proletarianization

The process of proletarianization took various forms. A main one was found in the countryside, as peasant producers lost their rights to land, the main production factor, be it by loss of ownership rights, usage rights or other rights giving access to the fruits of the land. The growing transfer of these rights by way of the market played a main part in this. This facilitated both the fragmentation of family holdings into dwarf holdings of semi-proletarianized peasants and, at the other social end, the accumulation of land into large landholdings. A specific aspect of this was the buying up of peasant land by wealthy burghers, as happened in Holland in the most pronounced way. In 1560 some 30-35 % of the land in Holland had already come into the hands of burghers and urban institutions. In the following decades the share of burghers has risen even further, perhaps to some 50 %

¹³ C.J. Zuiderduijn, *Medieval capital markets. Markets for renten, state formation and private investment in Holland (1300-1550)* (Leiden, 2009) pp. 232-247.

¹⁴ J. Dijkman, *Medieval market institutions. The organisation of commodity markets in Holland, c. 1200 – c. 1450*. PhD thesis, Utrecht University 2010, chapter 9. Cf. for the export of proto-industrial products from Holland: B.J.P. van Bavel, 'Early proto-industrialization' in the Low Countries? The importance and nature of market-oriented non-agricultural activities on the countryside in Flanders and Holland', *Revue Belge de Philologie et d'Histoire* 81.2 (2003) pp. 1157-1159.

of the total area in Holland around 1600.¹⁵ An additional element in Holland was the subsidence of the peat soils, making a large part of the land unsuitable for the cultivation of bread grains and thus precluding access to subsistence. This can be seen as an ecological route to proletarianization, which closed the possibility of subsistence farming and forced farmers to other agricultural and non-agricultural sectors, making them dependent upon the market for their inputs, for the marketing of their products and for obtaining an income from wage labor.¹⁶

Perhaps even more fundamental in the loss of access to land for the producers was the accumulation of lease land. This process was mainly found in regions dominated by large landownership, such as the Guelders river area and the Frisian sea clay area. These had ample land available for lease, since already around 1400 almost all large landownership was given out for short terms, as we have observed above. Via a highly flexible and competitive lease market, this land could thus be freely accumulated by financially powerful farmer-entrepreneurs, benefiting from the socio-economic circumstances and the relative decline of wages in this period of population growth. By using the possibilities for capital-intensive market specialization and reducing labour inputs, they further increased their profits and strengthened their position, gradually pushing aside small and medium-scale tenants.¹⁷ The result, especially combined with the population growth of the 15th and 16th centuries, was the emergence of an ever larger group of semi-proletarianized and proletarianized countrymen. Around the middle of the 16th century, perhaps half of the population there had no or little land at its disposal.

The division and privatization of commons, on the other hand, did hardly play a role in the proletarianization of the rural population in the late medieval Netherlands. In Drenthe and the Campine, and other infertile regions where commons were important, common lands did retain their importance, and exploitation of the commons for market purposes was resisted.¹⁸ Relatively large parts of the population retained access to land by way of their common usage rights. Only in the 18th/19th centuries, the division of commons really gained momentum there.

More important was the polarization as a result of proto-industrialization, with the proto-industrial peasants losing their grip over land, raw materials and instruments. This dynamic process was not found in all proto-industrial regions. In inland Flanders, for instance, the peasants retained their possession of the means of production, while urban merchants dominated the marketing; a situation displaying stability up to the 18th century. In the Holland countryside, however, there was dynamism. The non-agricultural activities which emerged there – such as textile production, peat-digging, fowling, chalk-burning, bleaching, brick-making, fishing and shipping – often had a strong capital-intensive element, and this to an increasing extent. This went hand in hand with the growing dominance of urban investors in these sectors, as these made massive investments in fixed capital goods in

¹⁵ B.J.P. van Bavel, 'Rural development and landownership in Holland, c. 1400-1650', in: O. Gelderblom (ed.), *The political economy of the Dutch Republic* (Aldershot, 2009) pp. 167-196.

¹⁶ R. Brenner, 'The Low Countries in the transition to capitalism', in: P. Hoppenbrouwers & J.L. van Zanden (eds.), *Peasants into farmers?*, pp. 275-338, esp. pp. 310-315.

¹⁷ B.J.P. van Bavel, 'Land, lease and agriculture. The transition of the rural economy in the Dutch river area from the fourteenth to the sixteenth century', *Past & Present* 172 (2001) pp. 3-43.

¹⁸ J.L. van Zanden, 'The paradox of the marks', *Agricultural history review* 47 (1999) pp. 125-144.

the countryside, and with changes in the position of the labour force.¹⁹ In the 13th/14th centuries, these activities were still mainly performed independently by peasant families who also exploited their own smallholding, but in the course of the 15th and 16th centuries by tens of thousands of semi-proletarianized wage labourers.

A similar process of proletarianization was found in some urban industries and services. Again, this was mainly in those sectors which were capital-intensive and witnessed scale-enlargement in the course of the period. This was most apparent in the brewing industry, in Holland but also in the towns in some other regions in the 15th and 16th centuries. Total output of breweries in the three major beer producing towns in Holland rose from 30 million litres in 1400 to 100 million litres around 1570, mainly destined for export. Three-quarters of this quantity was produced by only 100 breweries in the city of Delft alone. Indicative of the scale enlargement and rise in labour productivity in this sector was also the fact that in 1514 Holland had 377 breweries in the towns, employing some 10 workers each, whereas at the end of the 16th century there were 183 breweries with 16 workers each, producing the same volume or even more.²⁰ In the course of this process, small-scale and rural brewing were extinguished.

In this process not only possibilities for capital investments and technological innovation played a role, but also the weakness of guilds in the Holland towns. Elsewhere in the Netherlands, and even more in the southern parts of the Low Countries, they were more successful in combating scale-enlargement and protecting the vitality of independent small-scale production for the market.²¹ Still, even in Holland where they had scant influence there was no shift to full-scale industrial capitalism. Large industrial factories did not emerge. The dominance of merchant interests in Holland and their advocacy of relatively free trade, and the state of technology disallowing further big advantages of scale to be reaped, prevented such a shift.²² As a result of these elements, and the additional role of the guilds in most towns outside Holland, the process of proletarianization was slowed down in most urban sectors. The progress of proletarianization in agriculture and in the countryside was at least as quick as in the towns, and probably even quicker. So, there were various roads to capitalism, and these roads were particularly found in the countryside, where the contours of capitalist economy and society became clearly visible in the Netherlands already in the late Middle Ages.

IV Geographical differences

¹⁹ B.J.P. van Bavel, 'Early proto-industrialization', pp. 1109-1165, and J.L. van Zanden, 'A third road to capitalism. Proto-industrialisation and the moderate nature of the late medieval crisis in Flanders and Holland, 1350-1550', in: P.C.M. Hoppenbrouwers & J.L. van Zanden (eds.), *Peasants into farmers?*, pp. 85-101.

²⁰ R.W. Unger, *A history of brewing in Holland, 900-1900. Economy, technology and the state* (Leiden, 2001) pp. 104-113 and 163-180.

²¹ This applied even to Holland towns such as Leiden to some extent: R. S. DuPlessis & M.C. Howell, 'Reconsidering the early modern economy. The cases of Leiden and Lille', *Past & Present* 94 (1982) pp. 49-84, although they perhaps pushed their argument too far.

²² Cf. the careful discussion by C. Lis & H. Soly, 'Different paths of development. Capitalism in the northern and southern Netherlands during the late Middle Ages and the early modern period', *Review* 20 (1997) pp. 211-242, esp. pp. 230-236.

The preceding developments did not everywhere take the same form or have the same extent. On the contrary: geographical differences were sharp, even between regions neighboring each other. Especially in regions such as the Guelders river area and coastal Frisia the transition of rural economy and society started early and evolved forcefully. This contrasts with the situation in the Veluwe (a region neighboring the Guelders river area), and in the Campine and Drenthe, where particularly the labour market and the lease market remained unimportant until far into the modern era, and where the process of proletarianization remained very limited.²³ Especially in the sandy inland regions in the eastern part of the country, such as Drenthe, fundamental changes were absent. Apart from some intensification and minor increases in the degree of commercialization, the peasant structure remained largely intact in Drenthe; there was no structural transformation of the rural economy until the 19th century.²⁴ On their small and medium-sized farms, the peasant families concentrated on the cultivation of bread grains and some small-scale livestock farming, mainly for their own subsistence. Long-term security and the needs of the own household were much more central to their production decisions than the market was.

Regional differences between towns were less outspoken than those between rural societies, but they did exist. Most apparent is the difference between the Holland towns, where the importance of market exchange and the degree of proletarianization advanced far, and the towns in other parts of the Netherlands, where guild-protected, small-scale independent production remained much more important. These regions were no self-contained units: interaction did exist, and grew in importance in the late Middle Ages. The large towns – not necessarily situated in the regions themselves – were the main hinges in the interaction between capitalist, proto-capitalist and pre-capitalist regions, and in the flows of migrant labour, permanent migrants, agricultural goods, raw materials, semi-fabricated goods and capital between them. This interaction and exchange was found between regions within the Netherlands, but also with regions outside it, including Flanders, Brabant, Rhineland and Westfalia, but also the Baltic, with trade hubs like Bruges, Antwerp and Cologne playing a large role as platforms and facilitators of exchange. But rather than flattening out regional differences, however, this exchange sharpened these differences and made the regions more complementary in the course of the late medieval and early modern periods.

If we leave these regional distinctions behind, and look at the Netherlands as a whole, this area stands out in an European perspective. The rise of markets and the transition to capitalist relations was much earlier and more pronounced than elsewhere. The decades around 1300 formed the crucial phase in this shift, with the rise of the markets for land, lease and capital, and perhaps a little later that for labour. The resulting

²³ For these regional differences: E. Thoen, 'Transitie en economische ontwikkeling in de Nederlanden', *Tijdschrift voor Sociale Geschiedenis* 28 (2002) pp. 147-174, especially pp. 169-174, and B.J.P. van Bavel, *Manors and Markets*, chapter VI.

²⁴ J.L. van Zanden, 'From peasant economy to modern market-oriented agriculture. The transformation of the rural economy of the eastern Netherlands, 1800-1914', *Economic and social history in the Netherlands* 3 (1991) pp. 37-59, esp. pp. 38-40, whereas J. Bieleman, 'De verscheidenheid van de landbouw op de Nederlandse zandgronden tijdens de "lange zestiende eeuw"', *BMGN* 105 (1990) pp. 537-553, stresses more the diversity and traces of development.

polarization, accumulation and proletarianization took mainly place in the 15th and 16th centuries. Within Europe, these developments only seem to have started earlier in the centre and north of Italy, where they even accelerated in the 13th century, and perhaps in East Anglia and Flanders.²⁵ In these areas, however, these developments did not proceed further during the later Middle Ages, and in some respects they even reverted from the 14th century on, with a strengthening of small-scale production and self-sufficiency, and/or a growing importance of non-economic elements in exchange.²⁶ Norfolk, as one of the most progressive agrarian regions of England, did have wage labour in the 16th century, but almost everyone still had access to some means of production (especially land). Also, many people in Norfolk had relations with the market, but there were only few who were market-dependent. Even bigger is the contrast with areas like Westfalia and other parts of Germany or most of France, where most of the population retained direct access to the most important factor, land, and where the exchange of land, labour and capital remained firmly embedded in social networks, such as family or kin groups and village communities, up to the 18th/19th century.

On a global level these differences are even more apparent. Especially the markets for labour and land remained weak and small almost all over the globe, up to the 19th century. On the other hand, there was nothing unilinear or automatic in these developments and the differences these displayed between areas. The case of Iraq, where markets for goods, and to a lesser extent those for grain, land, labour and capital did develop in the early Middle Ages,²⁷ – and much more so than in contemporary Western Europe –, shows that projecting back modern differences would be a mistake. Iraq is another example of an area where this development did not proceed but halted – in this case especially after the 10th/11th century- and reversed again. In the early modern period it had joined the other non-Western areas where markets were small and weak, like India and Southeast Asia but also highly-developed societies like China and Japan.²⁸ In the latter two countries the exchange by way of the market grew in importance in the early modern period, and Japan in the 18th/19th century even possessed well-developed, secure markets for land and capital,²⁹ but the pace of this development was much slower than in the Netherlands and the size of these markets remained modest.

²⁵ B.M.S. Campbell, 'Factor markets in England before the Black Death', *Continuity & Change* 24 (2009) pp. 79-106, and B.J.P. van Bavel, 'Markets for land, labour and capital between town and countryside, 12th-16th centuries. Northern Italy and the Low Countries compared', submitted to *Journal of Interdisciplinary History*. For the following on Norfolk: J. Whittle, *The development of agrarian capitalism. Land and labour in Norfolk, 1440-1580* (Oxford, 2000).

²⁶ E. Thoen, 'A "commercial survival economy" in evolution. The Flemish countryside and the transition to capitalism (Middle Ages-19th century)', in: J. L. van Zanden & P. C. M. Hoppenbrouwers (eds.), *Peasants into farmers?*, 102-149, and S. R. Epstein, 'Cities, regions and the late medieval crisis. Sicily and Tuscany compared', *Past & Present* 130 (1991) pp. 3-50, esp. pp. 14-15 and 36-43.

²⁷ E. Ashtor, *A social and economic history of the Near East in the Middle Ages* (London, 1976) pp. 132-157.

²⁸ B.J.P. van Bavel, T. de Moor & J.L. van Zanden, 'Factor markets in global economic history', *Continuity & Change* 24 (2009) pp. 9-21, and the contributions by S. Pamuk on the Ottoman Empire and by T. Roy on India in this special issue of *Continuity & Change*.

²⁹ O. Saito, 'Land, labour and market forces in Tokugawa Japan', *Ibidem*, pp. 169-196.

These geographical differences can be understood from the combined effect of push and pull factors. The push factors (proletarianization, dispossession and loss of access to land) we have succinctly described above. From the short discussion it can be gathered that these processes were most pronounced in rural societies where elites held a firm position, mainly expressed in rights to land, whereas at the same time they did not have – or lost – the power to enslave or bind labor. Often, this relative position of the elites was built on the social structures that had already emerged in the early Middle Ages, during the period of occupation of the region in question.³⁰ The same holds for the fact that the processes of proletarianization could be mitigated, or even blocked, by a well-entrenched position of the producers, their firm rights to the land and strong horizontal associations. Again, these elements are to a large extent rooted in the early and high Middle Ages; path-dependency in this respect was pronounced.

The pull factors are mainly found in the attractiveness of market exchange, the security it offered and the possibility to make profits, compared to the attractiveness of alternative systems of exchange for the social groups in question. Elites might be interested, for instance, in preserving a particular organization of exchange that served its interests more than market exchange. Not only economic but also social factors were thus decisive in a process of continuous interaction. The nature and quality of the institutional framework of markets formed a crucial element in the outcome of this process. A high quality offered security of market exchange, high accessibility of markets and low transaction costs, and prevented that too many resources were drawn away into non-productive ends, and made market exchange an ever more attractive option to ever more social groups. A favorable institutional framework was, and is, therefore a necessary precondition for the growth of markets.

V Institutional organization of markets

The institutional framework of the market for goods in the Netherlands had assumed its basic traits to a large extent already in the 11th/12th centuries, during the first growth spurt of this market. This framework did not entail much market monopolies or staple force, in contrast to the situation developing in other centres of trade, in Flanders and the centre-north of Italy. Producers and traders were relatively free to choose between different markets. Only a few of the oldest towns, like Dordrecht and Groningen, succeeded in acquiring market force over their region, while Dordrecht also obtained some staple privileges. But this was exceptional; in general people could choose from many markets, found in the numerous small towns but also in some villages, where also trading facilities such as weigh houses were found.³¹ In order to attract people, market places were keen on improving the institutional framework of trade and offering more security for traders, in which action taken by local authorities played a crucial role, as most clearly in Holland.³² This resulted in a further extension and refinement of the formal institutional framework of trade. All this does not mean that institutional barriers were absent altogether. Even in

³⁰ This is a theme elaborated by B.J.P. van Bavel, *Manors and Markets*, esp. pp. [387-397].

³¹ J. Dijkman, *Medieval market institutions*, chapters 3 and 4.

Holland, some privileges, trade barriers (mostly consisting of tolls, but also of sluices and other physical barriers in waterways), and differences in the degree of trade security existed.³³ Compared to other parts of Western Europe, however, the weight of these institutional barriers was low.

The institutions of the labour market in the late medieval Netherlands offered high flexibility to both employer and labourer. Labour contracts in most regions, as in Holland and the Guelders river area, were mostly short and formal: verbal agreements for the day or one-year contracts without any further obligations after the end of the contract. This in contrast to most of the surrounding regions in the southern Low Countries, as in inland Flanders, and in Germany, where the wage relation was mostly personal, informal and often based on a reciprocal exchange of services and capital goods. Also, in Holland and the Guelders river area, wage labour was relatively free. There were hardly any restrictions on the mobility of labour, no restrictions on wages, no fixation of maximum wages, no indentured labour and no vestiges of manorial unfreedom.³⁴ This contrasts sharply with the situation in other parts of 16th-century Northwestern Europe, where these elements were much more prominent, as in many parts of England. The main underlying cause was the high degree of personal, legal freedom in the Netherlands, which was in place already in the high Middle Ages. In some parts of the Netherlands, such as Drenthe and parts of Frisia, the ordinary population traditionally had known a relatively widespread freedom. Even more apparent is the high degree of freedom in those regions which were only occupied in the 11th to 13th centuries, where the peasant-colonizers received their freedom right-away, and also firm property rights to their individual holding and possibilities of self-organization,³⁵ as most clearly in Holland. Here, manorialism and a strong feudal nobility had been absent from the outset. This development was strengthened as territorial lords confirmed the rights and freedoms of village communities and the emerging urban communities. As a result of the influence of these regions, but also of an existing balance between social groups, even some of the nearby regions which actually were highly manorialized in the high Middle Ages, such as the Guelders river area, witnessed an early dissolution of this system, especially in the 13th century. This widespread and early freedom of the ordinary population, being exceptional in an European perspective, formed the main precondition for the development of an open, free labour market.

In a similar vein, the emergence of more absolute, exclusive property rights to land formed the main institutional development allowing for the growth of land and lease markets, since they facilitated the transfer of ownership and usage rights by way of the market. This happened in a process in which overlapping claims of relatives, co-villagers and lords disappeared, as kinship ties weakened, manorialism dissolved and common lands were parcelled out. In their turn, these developments were promoted by the rise of land

³² O. Gelderblom, 'The decline of fairs and merchant guilds in the Low Countries, 1250-1650', *Jaarboek voor middeleeuwse geschiedenis* 7 (2004) pp. 199-238.

³³ D. Aten, '*Als het gewelt comt...*'. *Politiek en economie in Holland benoorden het IJ, 1500-1800* (Hilversum, 1995), esp. pp. 22-63, and also P.C.M. Hoppenbrouwers, 'Town and country in Holland, 1300-1550', in S.R. Epstein (ed.), *Town and country in Europe, 1300-1800* (Cambridge, 2001) pp. 54-79, esp. pp. 60-64 and 66-67.

³⁴ E. Kuijpers, 'Labour legislation at a developing labour market. Holland 1350-1600', paper Utrecht 2008.

and lease markets in a process of mutual interaction. This process went fastest in regions such as Holland, where manorialism, the feudal system and common lands had been weak from the outset. In the central river area, especially the 13th century seems to have seen the crucial phase in this process, whereas some regions – mainly in the east – did witness these developments only much later, in the 18th-19th centuries. In these peasant-dominated regions security and self-sufficiency, as offered and protected by social networks and direct access to the means of subsistence, remained primordial, and this slowed down or even precluded this interaction.

One particular element in the development towards more absolute, exclusive property rights to land and the security of these rights, as found in most of the Netherlands, needs to be highlighted, and this is the role of public authorities. The protection of property rights to land by authorities was very strong there, at least from the 14th century onwards. This is clear from the security offered by public authorities against risk of confiscation by lords or other powerful, and the protection enjoyed by tenants and landlords against third parties encroaching on these rights.³⁶ Also, registration of private land transfers before public rather than manorial or lordly courts started relatively early in Holland and the Guelders River area. Initially, from the 14th century onwards, this was done from the towns, but beginning with the late 15th century separate courts for rural districts started to produce such records. The parties engaged in transactions of land – and also in those in the creation and selling of rents in the capital market - increasingly preferred to have the transfer take place in a public court of justice, and to have it registered there, rather than doing this privately. This was mainly because of the greater legal security with respect to third parties.³⁷ The court books or protocols had legal validity and evidentiary value.

In some parts of the Netherlands, the authorities even made seizure after sale before a public law court compulsory, sometimes on penalty of nullification of the sale. Also, the central authorities increasingly compelled local courts to register all deeds enacted, not so much because of the direct revenues involved, but because of the fiscal interests of the government. Through these registers the government was able to check the property returns of all taxable persons. The positive result was that information about land, and rents as well, was easily accessible from one central location. Moreover, all private or semi-public, rent-seeking parties were now banned from this field, in contrast to most parts of England and Germany, for instance, where lords played a much bigger role in registration, also allowing them to levy fines on these transactions.

The preceding shows how the market institutions received their specific form per locality and region according to the socio-political context in which they were formed. They received their form according to the balance between different interest groups and organizations that shaped the institutions, applied them and enforced their observance,

³⁵ H. van der Linden, *Recht en territoir. Een rechtshistorisch-sociografische verkenning* (Assen, 1972).

³⁶ B.J.P. van Bavel, 'The land market in the North Sea area in a comparative perspective, 13th-18th centuries', in: S. Cavaciocchi (ed.), *Il mercato della terra secc. XIII-XVIII. Atti delle "Settimane di Studi" e altri convegni* 35 (Prato, 2003) pp. 119-145, esp. pp. 129-132.

³⁷ P.L. Nève, 'De overdracht van onroerend goed in de middeleeuwen', in: J. J. de Groot (ed.), *De levering van onroerend goed. Vijf opstellen over de overdracht van onroerend goed vanaf het Romeinse Recht tot het Nieuw Burgerlijk Wetboek* (Deventer, 1985) pp. 23-38.

either directly or through the state. In the late medieval Netherlands, and particularly in Holland, the role of the state and local governments was very conducive to market exchange, as they increased security and offered transparency and protection of market transactions, for instance by making judicial conveyance and registration of transactions in public registers compulsory, and by banning rent-seeking parties from this field. However, the role of authorities in the development of this institutional framework is not automatically favourable to markets or geared towards promoting economic development. This role can be negative, as sometimes argued for France and many other parts of Europe, but in the Netherlands, and especially in Holland, it turns out to have been mostly positive. This applies particularly to the role of authorities on the local level of the village and the city, but also on a regional or central level. The explanation for this exceptional situation appears to lie in the balance between different parties involved in political decision-making, both political bodies and social groups, precluding dominance by way of power and necessitating these parties to co-operate or at least to arrive at a rational compromise.

The deeper cause underlying all the preceding elements probably was the exceptional balance between the social actors, a balance that did not allow one group to bend the institutions to their own interests at the expense of others. In late medieval Holland, and in the Netherlands in general, this balance was strong both within the elite – that is, between the rural nobility, patricians and territorial lords-, and within society as a whole, with peasants, village communities and urban craftsmen and entrepreneurs all holding a relatively solid position. The explanation of this exceptional balance seems to lie in the weakness of feudal elements, the high degree of freedom of the ordinary population and its high degree of self-organization in the Netherlands. The decisive stage in these elements was the high Middle Ages, particularly in Holland, a region which only became occupied in this period. Holland was colonized by free peasants under a territorial lord, creating a situation of exceptional freedom and a near-absence of non-economic force, with the nobility gaining only a weak position, in contrast to most other parts of Western Europe.

Here, and in most other parts of the Netherlands, the ordinary population also acquired ample scope for self-organization, both in town and countryside. This was expressed particularly in the formation of horizontal associations: village communities, commons, urban communes, guilds, and religious and caritative organizations, such as parishes, poor tables and hospitals, and also the water management boards. They were voluntary organizations, formed mainly by small-scale, independent producers who united and associated, often by way on an oath, based on the consensus of all participants.³⁸ These associations all emerged, or were formalized, in 11th-13th centuries, and they gave the ordinary population the opportunity to pool resources and knowledge, and to make big investments, and they allowed a broad participation in political, economic and social decision making.

³⁸ Cf. O.G. Oexle, 'Gilde und Kommune. Über die Entstehung von "Einung" und "Gemeinde" als Grundform des Zusammenlebens in Europa', in: P. Blickle (ed.), *Theorien kommunaler Ordnung in Europa* (München,1996) pp. 75-97, and P. Blickle, *Kommunalismus. Skizzen einer gesellschaftlichen Organisationsform*, deel II (München,2000) esp. pp. 132-153.

In the field of exchange the associations fulfilled a role which could be complementary to that of the market, or could serve as an alternative, by regulating and facilitating the exchange of land, labour and capital outside the market. This role must have been important, although we hardly know how exactly these associations fulfilled this. Next to this, the associations played a second role in the realm of exchange, be it inside the market or outside it, and that is combating the negative effects of exchange. These could be social excesses, such as sharp polarization or poverty – as fought against by the guilds, the commons and the caritative organizations, but also ecological excesses, as in cases where intense commercial exploitation or profiteering threatened to result in exhaustion or pollution of natural resources. The commons, for instance, fought against over-grazing and erosion, and the water management boards against the affection of dunes and dams, thus contributing to a more sustainable development. Lastly, and equally important, these associations and other forms of self-organization offered a counterweight to elites in the formation of the institutional rules of market exchange. They lent otherwise powerless individuals the joint force to defend their interests. If necessary this could be done by way of armed resistance, as the hundreds of noblemen who were killed by well-organized peasants in the marshes of Drenthe and Frisia experienced in a rather direct way.³⁹

Associations thus contributed to the exceptional balance of social power in the late medieval Netherlands. Market institutions here developed in this favorable social setting and were not geared towards the rent-seeking interests of a few particular groups, at least not as much as in many other parts of Europe. As a result they were conducive to market exchange, since they offered security and low transaction costs. This, however, is a reasoned guess on the basis of a qualitative assessment. A next step would be to quantitatively measure the quality of the institutional framework of markets and its effects on the functioning of these markets.

VI Quality and functioning of markets

In a direct sense this quality can only be measured for the capital market. The level of interest rates in capital markets probably forms the most evident quantitative expression of the efficiency of the institutional framework.⁴⁰ For the Netherlands, and particularly for Holland, there is ample evidence of a drastic fall in interest rates for long-term loans, from 10% in the 14th century to some 6 - 7% in the 15th century.⁴¹ The demographic catastrophe of the Plague, and the concomitant increase in the capital/people ratio, does not offer a satisfactory explanation for this drop, because Holland did not suffer a great loss of lives, and also because interest rates continued to drop when population numbers recovered and rapidly increased in the 16th century. This in contrast to Italy, for instance, where interest rates started rising again. It seems that mainly institutional improvement can account for the long-run developments in the Dutch capital market.

Apart from this indicator, we have to rely on indirect indicators of the quality of the institutional framework: the relative size of these markets, the integration of markets -

³⁹ R. Köhn, 'Freiheit als Forderung und Ziel bäuerlichen Widerstandes, 11.-13. Jahrhundert.', in J. Fried (ed.), *Die abendländische Freiheit vom 10. zum 14. Jahrhundert* (Sigmaringen, 1991) pp. 325-387.

⁴⁰ D.C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge, 1991) p. 69.

since this reflects the absence or presence of possible barriers, and the accessibility of markets. These aspects are recently investigated for late medieval Holland.⁴² The results on the size of these markets are already discussed above (section II). The share of land, labour and capital transferred by way of the market in stead of other allocation mechanisms was much larger than in other parts of late medieval Europe. Integration of markets also seems to have been high, as appears from the interest rates in Holland capital markets. At the beginning of the 16th century, large towns, small towns and villages on average paid about the same interest on long-term debts, respectively 6.3, 6.4 and 6.5%.⁴³ In the small town of Edam we can observe another sign of market integration: when we look at interest rates, the spread around the mean was quite small (in 1514 61% of the long-term loans had the average interest rate of 5,6% and in 1563 this was even 81%).⁴⁴ Differences between town and countryside were also very modest: no more than a few promilles. Lastly, in late medieval Holland both public debt (low-risk government bonds) and private debt in the countryside was usually contracted against interest rates of 5% to 6%. The small difference between them suggests that rural capital markets were already quite efficient.⁴⁵

Markets for goods and products were also fairly well integrated and showed low volatility of prices. In the decades around 1400, the variation coefficient of annual wheat prices in the Netherlands was only some 8 % on average.⁴⁶ The correlation coefficient of annual average wheat prices between towns in the Netherlands at that time was already in the range of 0.75 – 0.9 (on a maximum of 1.0). Crucial developments in this respect probably had taken place already before the sources allow us to measure integration and volatility, from the 14th century on. After that, further advances were limited. Also, price volatility in grain in the Netherlands was not lower than in the southern Low Countries or England, for instance, where grain markets also became highly integrated. Still, in one respect the Netherlands – and Holland in particular – stood out: it became a pivot in the international grain trade in Northwestern Europe from the late-14th century on, as witnessed by the high degrees of integration with markets all over Western and Northern Europe. This grain trade was for a substantial part carried out by Holland shippers and Holland ships; around 1500, c. 600 of the 1,000 ships recorded passing the Sound toll and carrying Baltic grain were from this province.⁴⁷ Related to this was a huge increase in the total tonnage and number of Holland ships, and the florescence of the Holland shipbuilding industry. In other markets than the grain market, integration mainly grew in the 16th century. The highly volatile market for peat shows a clear increase of market

⁴¹ J. Zuijderduijn, *Medieval capital markets*, pp. 242-246.

⁴² In the Utrecht research project *The rise, organisation and institutional development of markets in Holland, 11th-16th century*, sponsored by NWO and carried out in the period 2001-2007. Cf. also B.J.P. van Bavel, J.E.C. Dijkman, E. Kuijpers & C.J. Zuijderduijn, 'The rise and decline of the Holland economy, 11th-17th centuries. A test case for an institutional approach', paper Utrecht 2008.

⁴³ C.J. Zuijderduijn, 'Village-indebtedness in Holland 15th-16th centuries', to be published in *CORN* volume

⁴⁴ T. de Moor, J.L. van Zanden & J. Zuijderduijn, 'Microcredit in late medieval Waterland. Households and the efficiency of capital markets in Edam en De Zeevang (1462-1563)', in: S. Cavaciocchi (ed.), *La famiglia nell'economia europea. Sec. XIII-XVIII* (Firenze 2009) pp. 651-668.

⁴⁵ T. de Moor, J.L. van Zanden & J. Zuijderduijn, 'Microcredit'.

⁴⁶ J. Dijkman, *Medieval market institutions*, chapter 8.

integration and dampening of price variations from about 1530 on. The variation coefficient of prices on the various Holland markets at that time was only 14 % on average.⁴⁸ The fact that each peat trader had the possibility to choose from various urban markets in order to market his produce was crucial in this market integration.

In the labour markets, freedom and integration were relatively high in most parts of the Netherlands. This is reflected, for instance, in the small differences in nominal wages between town and countryside in the 15th and 16th centuries.⁴⁹ In Italy, because of restrictions of immigration and mobility, but also of bigger price differentials in costs of living, this differential could amount to 100 – 200 % for similar occupations/tasks. In the southern parts of the Low Countries, some restrictions on mobility existed and entrance into the urban wage market was not always easy for countrymen, but less so than in Italy. In Flanders, this is reflected in an urban/rural wage differential of some 20-50 %. In Holland, where restrictions were weakest, the urban/countryside difference at the time indeed was very small or even absent altogether, at 10-30 %. For the earlier period this small difference can in part be attributed to the small size of the towns in Holland, but for the 16th century not anymore, since several towns had become quite big; the weakness of restrictions and obstacles in the labour market was more important.

The accessibility of markets to women was relatively high in the late medieval Netherlands. Foreigners, such as Guiccardini in 1567, who visited Holland and Zeeland, were struck by the economic independence of women and their activities, particularly in trade, but also in production. In 15th and 16th-century Leiden, the largest textile centre in Holland, hardly any explicit regulation against the activities of women existed, and a substantial number seems to have been active as entrepreneurs in this sector, albeit sometimes on a smaller scale.⁵⁰ In the decades around 1400, about a fifth of the drapers and cloth retailers in Leiden were female, showing that women had access to capital, skills and markets. Also among the corn mongers, tailors, and bonnet makers, for instance, independent female masters can be found in the northern parts of the Low Countries. Despite this, and despite the near absence of formal restrictions, in practice there was often an implicit division of labour between the sexes, even in Holland. A same situation can be found with respect to remuneration in the labour market. Wages of men and women seem to have been fairly equal to each other, although data are very scarce. In most cases men and women performed different tasks and possessed different physical strength, elements which make it difficult to compare men's and women's wages. However, some exceptional 17th-century data on piece wages of yarn show that men and women were indeed remunerated equally.⁵¹ At the same time, these labour markets remained segmented, and men occupied the best-paid segments of the spinning sector – and the textile sector more

⁴⁷ M. van Tielhof, *De Hollandse graanhandel 1470-1570. Koren op de Amsterdamse molen* (Den Haag, 1995) pp. 98-110.

⁴⁸ C. Cornelisse, *Energie markten en energiehandel in Holland in de late middeleeuwen* (Hilversum, 2008) pp. 215-219

⁴⁹ B.J.P. van Bavel, 'Markets for land, labour and capital'.

⁵⁰ M.C. Howell, *Women, production, and patriarchy in late medieval cities* (Chicago, 1986) pp. 70-94, and E. Kloek, 'Vrouwenarbeid aan banden gelegd? De arbeidsdeling naar sekse volgens de keurboeken van de oude draperie van Leiden, ca. 1380-1580', *Tijdschrift voor sociale geschiedenis* 13 (1987) pp. 373-402, although with different nuances.

⁵¹ E. van Nederveen-Meerkerk, *De draad in eigen handen* (Amsterdam, 2006) pp. 280-297.

generally, while women occupied the lesser-paid segments. So, the degree of equality between the sexes in the labour market must be qualified, but it was probably bigger than elsewhere in Europe.

There is ample evidence suggesting that capital markets were accessible to large parts of the population, including women. For instance, in Edam we encounter many households of modest means that participated in the capital market. Also, we encounter many women among the creditors and debtors; they formed about a quarter of the people active in the capital market.⁵² Even when we take into account that some of the long-term debts may have changed hands over time, through bequeathing, endowing or resale, it shows that accessibility was rather high.

Another indicator for the accessibility of markets is the skill premium, the differential in wage payment between skilled and unskilled labourers in the same sector. In most of the Netherlands this skill premium was low, suggesting that the acquisition of skills and the entrance into skilled professions was relatively easy. The skill premium in Holland probably was the lowest in all of Western Europe.⁵³ Calculations of the skill premium by comparing wages of hodmen/labourers with those of craftsmen in the same sector show the exceptional position of Holland. In Antwerp, Bruges, and Nijmegen, the skill premium around 1500 appears to have been fairly high, at 65-80 per cent, whereas in Holland this was only 25-50 per cent. For the earlier period this low skill premium in the Holland towns can in part be attributed to their small size, and the low demand for highly skilled, specialized labour there, but not for the period around 1500, as these towns were quickly growing to a more substantial size. The explanation in the low skill premium, therefore, should rather be found in the openness and flexibility of the labour market.

Although institutional barriers certainly existed, the institutional framework of markets in Holland - and the Netherlands more generally - seems to have been favorable, as these data show. This precluded rent-seeking through markets, and allowed to reduce both search and information costs and the costs for protecting property rights and contracting. These low transaction costs, and the high trust people could place in market transaction, induced more people to engage in the market. This allowed for a high volume of markets, high mobility of land, labor, capital and goods, and resulted in low differentials in wages, prices and interest rates. Often, this is enough for historians to conclude that the effect on economy and society must have been beneficial, but was it? In order to assess this, we will look at the long-run effects of the rise of competitive markets and capitalist relations, especially in those parts of the Netherlands where their rise was most outspoken.

VII Social and economic effects

Did the emergence of the market and of market competition really stimulate economic growth and a structural rise of standards of living? And, in case such a rise did take place in

⁵² J. Zuijderduijn, *Medieval capital markets*, pp. 236-241, and T. de Moor, J.L. van Zanden & J. Zuijderduijn, 'Microcredit'.

⁵³ J.L. van Zanden, *The long road to the Industrial Revolution. The European economy in a global perspective, 1000-1800* (Leiden/Boston, 2009) pp. 149-171, and B.J.P. van Bavel, *Manors and Markets*, [pp. 214-215].

this period, were markets really the determining factor in this? Questions like these were hard to answer, causing historians to guess about the development of growth and welfare during the later Middle Ages. These guesses were mostly directed by qualitative indications, such as the florescence of the sciences and arts in the 17th century, the period of the Dutch Golden Age. The final judgment about the developments in the period from the 13th to 17th centuries was therefore generally positive, since these developments culminated in this cultural florescence. Recent investigations, however, have made much more quantitative indicators available. When we split these data over the period 1000-1300, in which the market still played a minor role in the allocation and exchange of land, labour, capital and goods, and the period 1300-1600, in which market exchange became dominant, they show a mixed result. Much of the growth and the positive developments appear to have occurred in the Netherlands before 1300, that is: before the rise of the market.

The GDP per capita is hard to estimate. The best guesstimates available now show that GDP per capita did increase a little over the period between 1000 and 1600, but not dramatically. The level of GDP per capita in the late medieval Netherlands was higher than elsewhere in Europe, with the exception of Italy,⁵⁴ but this had probably already have been the case in the high Middle Ages. On the positive side, GDP per capita in the Netherlands did not decline in the period of rapid population growth in the 15th and 16th centuries, in contrast to other parts of Europe. This absence of decline was not only the result of some Smithian growth from intensification of labour and specialization alone. Several parts of the Netherlands developed a highly capital-intensive industry and/or agriculture. Often, the large investments in expensive implements, land improvements, hydraulic or industrial works, and other capital goods went hand in hand with a reduction of labour input, thus resulting in higher profits/surpluses and a rise in labour productivity. Most of these gains were eaten away again by population growth, however, although some remained.

Still, there was no spectacular rise of GDP per capita but rather the retention of a level that already was fairly high before. Next to this, the late medieval Netherlands witnessed as a negative element a much sharper social polarization than other parts of Europe, resulting from the fierce competition in the markets. This polarization was found especially in those towns and regions where market exchange was most dominant. Ever sharper differences between rich and poor could be encountered in the booming centers. This can be observed, for instance, in the industrial center of Leiden, where in 1498 the poorest 60 % of the population owned only 3 % of total wealth.⁵⁵ Polarization was even sharper in 16th/17th-century Amsterdam. In 1630 a third of the taxed wealth in this metropolis was in the hands of the richest 1 %. The gini-coefficient (a measure of inequality, with 0.0 indicating full equality and 1.0 full inequality) was in 1585 some 0.74, but in 1630 it had already increased to 0,85, one of the highest figures in pre-industrial

⁵⁴ J.L. van Zanden, 'Early modern economic growth: a survey of the European economy 1500-1800', in: M. Prak (ed.), *Early modern capitalism. Economic and social change in Europe, 1400-1800* (London, 2001) pp. 69-87. The figures produced by A. Maddison, *The world economy. A millennial perspective* (Paris, 2001), are highly speculative and based on indirect indicators with a very ambiguous relation to GDP per capita.

⁵⁵ N.W. Posthumus, *De geschiedenis van de Leidsche lakenindustrie*, part i ('s-Gravenhage, 1908) pp. 386-399.

Europe, comparable to the level in 14th/15th-century Florence.⁵⁶ A large share of the people in 17th-century Amsterdam had become totally pauperized. The splendour of the Dutch Golden Age to a large extent went at the expense of the lower middle classes and the upper lower classes, who became submersed in an ever poorer substratum.

Even if GDP per capita would have grown a little over this period, the social polarization prevented that this would result in an increase of the purchasing power of a modal person. Probably there was even a decline. Industrial workers and construction workers around 1600 had lower real wages than their colleagues in the 13th century, the first period for which wage and price data are available.⁵⁷ Even around 1345 - at the peak of pre-Plague population pressure, real wages of labourers in Holland had been higher than they were in the 16th century.⁵⁸ In the course of the 16th century, on the threshold of the Golden Age, real wages were even further reduced, while working hours for obtaining these daily wages had become longer. Moreover, many of the growing number of wage labourers were not fully employed, and this further reduced their income; institutional charity helped to relief only part of the problems of unemployment, sickness and invalidity.

These indicators are all fairly abstract, and do not tell everything about the welfare of people. Even if real wages increased over the period 1300-1600, which is highly doubtful as we have seen, this does not need to have led to a rise in standards of living, since these were also affected by the changes in the environment, pollution, living conditions, employment opportunities, leisure time and the access to sources of food and services outside the market. And in the Netherlands these elements did not develop favourably during this period; on the contrary.

We can get a sharper insight in the development of welfare thanks to the recent results of archaeological investigations into bones and dental remains. These allow us to get a better idea of the average life expectancy. Syntheses are unfortunately still lacking, but the scattered data make us surmise that the life expectancy in the medieval period heavily fluctuated but did not undergo fundamental changes in the long run. For those who reached the age of twelve years old, life expectancy in the Netherlands around 1400 was c. 38 years for men and c. 31 years for women, although wealthy people became much older. In the early Middle Ages the data show an average life expectancy for both men and women of c. 37 years.⁵⁹ This period therefore rather shows a decline than an increase.

Probably the best indicator of modal welfare, however, is the development of average human stature. Average stature since this is determined by the quality of the diet,

⁵⁶ R.W. Goldsmith, *Premodern financial systems. A historical comparative study* (Cambridge, 1987) pp. 204-206, and J.L. van Zanden, 'Tracing the beginning of the Kuznets curve. Western Europe during the Early Modern Period', *Economic History Review* 48 (1995) pp. 643-664.

⁵⁷ Cf. also the calculations for England, with its much better sources for the earliest period: G. Clark, 'The condition of the working class in England, 1209-2004', *Journal of Political Economy* 113 (2005) pp. 1307-1340.

⁵⁸ B.J.P. van Bavel & J.L. van Zanden, 'The jump-start', pp. 510-516.

⁵⁹ Cf. the overview by B.J.P. van Bavel, *Manors and Markets*, pp. [145-147]. This is a terrain where much progress can be made in the coming years.

diseases and environmental conditions, that is, by the main elements of welfare.⁶⁰ Again, the research into bones has brought our insight much further. The archaeological data show a clear decrease in stature over the period 1000-1600, and an even clearer decrease over the longer period 600-1800. In the Netherlands the average length of men in the early Middle Ages was 1.73/1.74 metres, declining to 1.71 in the 13th/14th centuries, and to 1.69 in the 15th/16th centuries. This low level remained all through the 17th and 18th centuries, to reach its lowest point in the first half of the 19th century, at 1.67.⁶¹ Causes for this decline were the growing pollution and the destruction of the environment as a result of its ever intensive use, the packing together of people in towns and the increasing incidence of diseases, as a result of population growth and urbanization, and the ever less varied diet of the majority of people, as a result of growing population pressure and social polarization.

We can conclude from the preceding that the developments in the Netherlands over the period 1300-1600 do not constitute a clear success story. Apparently, the growth of markets did not always have a positive result.⁶² This even applies to the Netherlands, which often is considered the paragon of success in this period, on account of the rise of Amsterdam as trading centre, the Baltic trade, the success of export industries and the start of the Holland dominance on the seas. But, apart from mostly abstract indicators such as a growing urbanization rate, GDP per capita, interest rates and market size – indicators which do not reflect intrinsically enhanced welfare of people –, there was a decline of modal purchasing power and a decline of standards of living. In the period 1300-1600, in which the factor markets in the Netherlands became dominant, ever more people were poor, lived in filthy conditions, were mal-nourished, and small. The occurrence of poverty and misery in the Dutch Golden Age – and especially in Holland – has been noted before,⁶³ but the data above show how general this misery was and how negative this compares to the preceding centuries. Those who lived in parts of 16th-century Western Europe where the market had developed less, as in Westfalia, but also in an inland part of the Netherlands such as Drenthe, were probably better off in the field of standards of living.⁶⁴ Even if GDP/capita was not higher there, the negative effects of market competition and polarization were less present here, and there was also less population pressure, reducing the related problems such as pollution and diseases.

A last effect of growing market competition to be highlighted here is the effect on institutional development. The emergence of open and flexible markets favoured the position of merchants, who accumulated ever more capital, especially in the 16th-17th centuries. As a result of this, public bodies became increasingly dependent on the financial resources of the merchant elites, and especially those of trade metropolis Amsterdam, who gradually strengthened their grip over government and society. At the same time, the

⁶⁰ A general introduction is offered by R.H. Steckel, 'Strategic ideas in the rise of the new anthropometric history and their implications for interdisciplinary research', *Journal of Economic History* 58 (1998) pp. 803-821.

⁶¹ G. Maat, 'Two millennia of male stature development', *International Journal of Osteoarchaeology* 15 (2005) pp. 276-290, and B.J.P. van Bavel, *Manors and Markets*, pp. [145-148 and 378].

⁶² See also C. Lis & H. Soly, *Poverty and capitalism in pre-industrial Europe* (Hassocks, 1982) pp. 54-96.

⁶³ Cf., for instance, A.Th. van Deursen, *Plain lives in a Golden Age:: popular culture, religion and society in seventeenth-century Holland* (Cambridge, 1991) pp. 3-12 and 44-66.

associations of independent producers were eroded by the processes of proletarianization and social polarization. The associations lost influence or were marginalized, or became dominated by elite groups.⁶⁵ This undermined their contribution to social balance. The group that benefited most from the extant organization of exchange – in the Netherlands this was the merchant elite of the Holland towns – now gradually acquired a dominant position in society. As a result, the existing institutional organization of exchange, which apparently served the interests of this group best, became frozen at this point, because this dominant merchant group increasingly invested in retaining this framework, even if it was no longer conducive to growth in the face of changing economic conditions. The institutional framework was not adapted anymore to changing economic or ecological conditions. This led to stagnation and the relative decline of the area in question, as can indeed be observed with Holland/the Dutch Republic in the course of the 17th century.

This investigation into the medieval roots of capitalism in the Netherlands thus yields a paradoxical result. On the one hand, we find a favorable institutional framework of markets, a high mobility of land, labor, capital and goods by way of the market, high flexibility and freedom, and an early transition to capitalism. On the other hand, the effects on the economy were mixed, or slightly positive at best, while there was a negative effect on welfare. This was hardly a success story. Successful development rather seems to be found in a much earlier period, the 11th-13th centuries, as economic growth and drastic growth of population numbers were paired to a fairly high level of welfare. In various parts of the Netherlands, economy and society had already developed strongly before 1300: in population growth and urbanization, GDP per capita, and standards of living. This favourable situation was reached in a period in which the market for goods had only just emerged, the market for land only started to emerge and the markets for lease, capital and labour had not emerged at all. Allocation and exchange through the market had barely developed yet, apart from the market for goods to some extent.

These findings show, or at least make us surmise, that the key to this socio-economic success is not primarily to be found in the market but in the organizations which were formed in the period before 1300. Maybe this forces us to look closer to the horizontal associations, which were formed and formalized here in massive numbers in the 11th to 13th centuries and assumed such a prominent role in social-economic traffic. Their role in enhancing or protecting welfare in this period deserves further investigation. Perhaps their role is mirrored by the developments in the modern era. After the decline in the early modern period, general welfare and living standards in the Netherlands only started to rise substantially and structurally from far into the 19th century onwards. At the same time co-operations, trade unions, political organizations and other horizontal associations directly, and indirectly by way of their influence on the state, started to assume a bigger role in the exchange of labour, capital and goods and more generally in economy and society as a whole.

⁶⁴ [J.L. van Zanden, in: Lucassen & Noordegraaf (eds.), *A miracle mirrored*]

⁶⁵ Analyzed in an exemplary way for coastal Flanders by T. Soens, 'Polders zonder poldermodel? Een onderzoek naar de rol van inspraak en overleg in de waterstaat van de laatmiddeleeuwse Vlaamse kustvlakte (1250-1600)', *Tijdschrift voor sociale en economische geschiedenis* 3 (2006) pp. 3-36.

The preceding results can bring us further in uncovering the causes of the geographical differences between rich and poor in the world today, and the role of capitalism in this divergence. Firstly, because it helps to get a better understanding of the chronology of the rise of markets and the transition to capitalism. In the Netherlands, and perhaps in some other regions surrounding the North Sea, capitalism was really rooted in the Middle Ages: not only in its institutional foundations but also its actual growth. This development therefore preceded the appearance of the Dutch Republic on the world stage as a global maritime power. Secondly, the preceding helps to qualify the effects of the rise of capitalism. Its rise in the Netherlands did contribute to capital accumulation, which probably took on forms bigger than elsewhere in the world and facilitated the growing power of the Dutch Republic, but the effect on economic growth was modest at best and the effect on living standards rather appears to have been a negative one. The history of the Netherlands, being the most prominent showcase of an early transition to capitalism, thus also offers some elements which contradict too simplistic assumptions about the beneficial long-term effects of market competition