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Transitions To Capitalism In Early Modern Europe: Economies In The Era Of Early Globalization, c. 1450 – c. 1820

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1 Issues and Interpretations

In the early nineteenth century, at least four-fifths of Europeans lived in small towns and villages or on individual farmsteads, where the majority engaged, as their ancestors had since Neolithic times, in farming characterized by generally low land and labor productivity. Aristocrats, urban residents, religious institutions, and others not directly involved in agricultural production owned a great deal of land and received much of the agrarian surplus. Artisans who worked in their homes or small shops using hand-powered tools made most manufactured goods. As in the past, Europeans traded mainly with each other, and they continued to spend most of their incomes on familiar goods. Protectionist laws, privileged groups, and poorly developed commercial institutions, communications, and transport often hobbled the effective operation of factor, commodity, and product markets.

Yet much had changed significantly across the early modern centuries. Population had risen from a post-Black Death low point of about 60 million around 1400 to more than 200 million in 1820; Britain and Scandinavia registered four-fold increases (see Appendix A).¹ The urbanization level – measured as the proportion of inhabitants living in towns of more than 10,000 residents – had doubled from some 5 percent in the fifteenth century to at least 10 percent in 1800. The rate of advance was greatest in England and Wales, which jumped from 3 percent to 20 percent, and the level highest in the Dutch Republic, which by 1800 boasted nearly 29 percent city dwellers (see Appendix B).² Commercial farming

¹ Lacking proper censuses, all early modern population figures are estimates; they also often omit portions of Eastern Europe, the Balkans, and European Russia. See Massimo Livi-Bacci, *A Concise History of World Population*, 5th ed. (Chichester, UK, 2012), 25, Table 1.3; Paolo Malanima, *Pre-modern European Economy. One Thousand Years (10th–19th Centuries)* (Leiden, 2009), 9, Table 6; Angus Maddison, *The World Economy: A Millennial Perspective* (Paris, 2001), 232, Tables B-2 and B-3.

² Lowering the urbanization threshold to 5,000 residents yields higher percentages of city dwellers at both dates (some 15–20 percent around 1800 in Europe as a whole). See Paolo Malanima, “Italian Cities 1300–1800. A Quantitative Approach,” *Rivista di Storia Economica* 14 (1998): 91–126, especially 92 Table 1, and 98 Table 5.

had become broadly dominant, and new crops, practices, and tenurial systems had boosted agricultural output and productivity in key regions. Industries had spread into new areas, and were notably abundant in many rural districts, as countless farm families spun thread, wove cloth, drew nails besides raising crops and tending animals; in addition, a large and growing population had wholly abandoned agriculture for manufacturing work. Entrepreneurs who bought raw materials, put them out to rural and urban wage-earners (occasionally assembling them in large workshops or proto-factories), and sold the finished goods on markets near and far now controlled a substantial share of manufacturing throughout Europe, and in some places predominated. Innovations ranging from navigation instruments and assembly-line shipbuilding to maritime insurance and trading company organization had helped reduce transaction costs (the various expenses associated with commercial exchange); new financial institutions and instruments had improved some markets' efficiency. Overseas exploration, colonization, and globalizing commerce had greatly extended merchant networks, introduced unfamiliar consumer goods and raw materials into Europe, and stimulated the development of novel re-export and import-substitution industries. Europe's economic center of gravity, since antiquity located in the Mediterranean, had shifted to the northwestern region; according to recent calculations, at least England and the Low Countries had achieved impressive GDP gains.³ By the end of the period, factories equipped with new technology were springing up, most thickly in England, but also on the Continent. Most momentous, as northwestern Europe had become hegemonic over Europe, its overseas colonies, and its global commercial networks, capitalism had taken root in northwestern Europe.

Understanding the causes, nature, extent, and significance of these manifold phenomena has long occupied scholars. In his epochal *An Inquiry into the Nature and Causes of the Wealth of Nations*, published in 1776, Adam Smith (1723–1790) argued that interdependent processes of market expansion, specialization, and widening divisions of labor were generating quantitative growth within the “commercial society” of his time. Due to an innate “propensity to truck, barter, and exchange,” Smith held, humans engage in commerce to obtain necessary goods and services, and to trade most advantageously they specialize in tasks at which they excel. The resulting divisions of labor had upgraded skills and increased wealth, stimulating innovation that raised productivity,

³ For estimates, see Angus Maddison, *Contours of the World Economy 1–2030 AD: Essays in Macro-Economic History* (Oxford, 2007), 382, Table A.7; Luciano Pezzolo, “The Via Italiana to Capitalism,” in *The Cambridge History of Capitalism*, eds. Larry Neal and Jeffrey G. Williamson, 2 vols. (Cambridge, UK, 2014), I: 269, Table 10.1.

lowered prices, and unleashed growth. Public authorities and private bodies had repeatedly intervened to shape economic activity to their advantage through regulations, monopolies, tariffs, and the like, but their main accomplishment, in Smith's view, had been to divert land, labor, and capital from their most productive uses, constraining improvement. To promote the true wealth of nations – the full development of agriculture, industry, and commerce – individual initiative, competition, and free trade had to flourish. Enabling them, Smith and his fellow “political economists” insisted, liberated inherent human qualities within a self-regulating natural order, an “invisible hand” that through market transactions begot the common good from individuals' admittedly clashing “self-love” (self-interest).⁴

Smith did not propose that European economies had embarked on a process of unending growth. The complication was not simply obstructive pressure groups and institutions: rather, despite specialization and division of labor, over time economies experience diminishing returns (when additional inputs yield progressively smaller increments to output), halting advance. *An Essay on the Principle of Population* (1798) by Thomas Robert Malthus (1766–1834), built on the kinds of empirical data that practitioners of “political arithmetic” (the application of statistics to policymaking) had been systematically gathering since the late seventeenth century, evaluated early modern economic outcomes yet more somberly. Periods of expanding output and rising standards of living had occurred, Malthus acknowledged. But that was not a boon. The demographic growth that inevitably ensued sabotaged these achievements, as technological limitations and a fixed land area prevented agricultural output from matching population increase. The subsistence crises that had invariably eventuated had only been resolved by what Malthus termed “positive” population checks (famine, disease, war) or – less often – “preventive” checks such as delayed marriage or sexual abstinence. In either case, the result was demographic decline to the point where a new cycle could begin – but only to repeat the same predetermined pattern.

Malthusian views long dominated interpretations of early modern European economies. Despite recurrent periods of improvement, demographic, institutional, behavioral, and technological features internal (or “endogenous”) to the economy sooner or later frustrated sustained growth, resulting in long-term immobility or at best minimal and fragile advance. A powerful external (“exogenous”) force – in most accounts,

⁴ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York, 1937), 13, 423, 14.

breakthrough technology – had therefore been necessary to usher in ongoing growth, improvements in standards of living, and changes in behavioral practices and economic structure alike.⁵ More recently, however, scholarship grounded in fresh quantitative analyses and a Smithian emphasis on the knock-on benefits of market enlargement has challenged the stagnationist orthodoxy. Without denying that serious downturns and setbacks occurred, this revisionist historiography maintains that by exploiting a combination of existing and new practices, techniques, and organizational forms, northwestern Europe in particular achieved significant growth, which over time sparked the innovations that set off continuous development.

To Karl Marx (1818–1883), on the contrary, it was profound structural transformation, the establishment of a wholly novel form or “mode” of production subsequently dubbed capitalism, that induced the new and more productive divisions of labor, specializations, and technologies necessary for sustained growth.⁶ In Marx’s definition, capitalism is an order of structured inequality between wage-earners who lack productive property and capitalists who control such resources. To earn their subsistence, workers must sell their labor – or, more precisely, the productive power embodied in it. The capitalists who purchase labor power earn profits (in Marxist terminology, extract surplus value) by selling the goods made with it for more than their total production costs. To maintain their profits in competitive markets, all capitalists constantly seek to reduce the cost of their inputs, wages most of all, by investing in innovation. Thus the technological and/or organizational prerequisites for growth were the outcome rather than the cause of the capitalist system.

The genesis of capitalism lay in the process that Marx called “original” or “primitive” accumulation. At once destructive and creative, original accumulation was an economic, social, political, and cultural phenomenon that encompassed town and country, industry and agriculture, expropriation and concentration of capital assets. For capitalism to arise, Marx asserted, capital – both in the form of land and equipment, and in the form of specie and credit – had to be amassed by individuals who invested it productively rather than consuming it. This process involved dispossessing peasants from their holdings, crushing autonomous artisans and guilds, and engaging in slaving, colonial exploitation, and usury. Government laws, monopolies, taxes, and debt promoted

⁵ This type of growth is often termed “Schumpeterian” after the theorist of innovation Joseph Schumpeter (1883–1950).

⁶ The term “capitalism” is a mid-nineteenth-century neologism, but analyses of the system it characterizes and of “capital” as a distinctive entity had been taking shape across the early modern period.

these undertakings and supported the system thereafter; far from being a brake on or enemy of economic change, the state was one of its principal progenitors and servants. These initiatives took time to come to fruition and often eventuated in transitional forms of production. Still, Marx maintained, across the early modern centuries original accumulation gave birth to European capitalism.

Later scholars have sought to flesh out Marx's sketchy historical account of capitalism's origins. The "world-system" approach, represented most prominently by the work of Immanuel Wallerstein, derives in part from Marx's postulate that capital derived from commercial exploitation of colonial possessions was both a prime solvent of Europe's prior feudal order and a source of funds to finance its successor. It also amplifies Smith's argument that the growth of trade furthers the division of labor, combining this with theories holding that capitalist development in favored areas necessarily bred underdevelopment elsewhere. According to Wallerstein, capitalism in western Europe (the "core" of a new world economy) was built on the exploitation of other regions, notably eastern Europe and the colonized New World (the "periphery"). Together with an intermediate "semi-periphery," these regions were assembled into a global economic order characterized by a unified market but sharply hierarchic forms of production, labor regimes, and polities: capital-intensive agriculture and industry, a predominantly free and skilled workforce, and strong states in the core, labor-intensive production, mainly coerced (enslaved and enserfed) and less skilled workers, and feeble states in the periphery, intermediate forms in the semi-periphery. Unequal exchange of more profitable European items for less lucrative colonial goods, backed up by similarly unbalanced power relations, transferred surplus capital from the periphery to the core where it built sustained development simultaneously with minimal growth in the semi-periphery and outright backwardness in the periphery. Though subsequently the world-system incorporated additional areas and states shifted position within and between zones, before the mid-seventeenth century a Europe-based capitalist economy with a global reach was firmly in place.

Issuing from Marx's insistence on the importance of peasant dispossession, analyses by Robert Brenner and his followers locate the principal early modern economic dynamic in class structure and attendant class struggle in the countryside. In particular, they emphasize social relations between lords and peasants founded on asymmetrical property ownership and expressed in peaceful and violent interactions mediated, in a variety of fashions, by state institutions and policies. The different outcomes of this interplay, they maintain, accounted on the one hand for divergent

patterns and levels of growth both within the western European core and between western and eastern Europe, and on the other for the eventual advent (or frustration) of agrarian capitalism, “the indispensable foundation” for industrialization and subsequent “ongoing economic development.”⁷ In contrast to world-system theory, which contends that capitalism issued from the resources and structures provided by Europe’s global commerce, Brennerian approaches situate its main-springs within Europe, notably rural England and the Netherlands.

This book draws on and evaluates these interpretations; deploys theoretical insights and empirical data from disciplines including cultural anthropology, sociology, women’s and gender history, slavery studies, and consumption and material culture research; and examines global influences on early modern Europe’s economic development. It maintains that

–early modern Europe was characterized by a variety of non-hegemonic, contemporaneous economic arrangements including peasant farming, demesne lordship, artisanal handicrafts, manufacturing in urban and – most of all – rural households – all, across the eighteenth century, increasingly dominated by merchant capital and control;

–these formations achieved growth, albeit uneven and discontinuous over time and space, by more thoroughly exploiting locally adapted best practices and techniques; product, process, and organizational innovation; creation and incorporation through overseas trade and colonization of critical new resource supplies, finished goods, and consumer markets;

–though wage labor, market orientation, secure private property, and entrepreneurial activity were to be found in these formations, and in them new financial instruments and institutions emerged, domestic and overseas trade expanded, and technical and organizational change occurred, they did not represent quasi-, proto-, or incomplete capitalism but were organized according to their own logics, dynamics, and purposes;

–capitalism was the unforeseen outcome of crisis in the cottons industry in the second half of the eighteenth century rooted in Europe’s globalizing commerce and consumption that was resolved by technological innovation that crystallized elements of preceding formations into a novel configuration, dynamic, and logic of production.

The multifarious nature of early modern economies and the many debates and research their history has stimulated have determined the scope, subject matter, and shape of this book. Chapter 2 sketches common and distinctive features of European economies in the fifteenth century. Its anatomy of European economies at the dawn of Europe’s early modern overseas exploration, colonization, and commercial

⁷ Robert Brenner, “Property and Progress: Where Adam Smith Went Wrong,” *Marxist History-Writing for the 21st Century*, ed. Chris Wickham (Oxford, 2007), 109, 107.

expansion identifies influences that molded subsequent developments, examined in the next six chapters. During what is often labeled “the long sixteenth century” (1450/70–1620/50), the subject of Part II, trade, migration, and commodity flows initiated and directed by Portugal and Spain interacted with discrepant agricultural and industrial trends to alter economic conditions within and among European states and regions as well as abroad. Crisis during the seventeenth century interrupted some of the impressive growth and stirrings of structural change that had characterized the previous period. The period also saw significant shifts in economic primacy, the brief but splendid Dutch cultural and economic “Golden Age,” and the first stages of renewed expansion.

These developments bore fruit in the eighteenth century. Part III examines the multiple global and domestic forces that refashioned commerce, agriculture, and industry, and by disproportionately advantaging northwestern Europe enabled capitalism to achieve hegemony there. They also consolidated regional economic disparities, lately dubbed a “little divergence” as contrasted to the “Great Divergence” that the Industrial Revolution purportedly opened between Europe and Asia. The Conclusion reviews the opportunities and constraints that shaped early modern Europe’s diverse economic formations, the birth of the system that superseded them, and interpretations that help make sense of these phenomena.

Whereas short series of data are exhibited in tables within individual chapters, the appendices should be consulted for data that are cited throughout the book: Appendix A – European population grouped nationally and regionally; Appendix B – European urbanization percentages by nation and region; Appendix C.1 – trans-Atlantic shipments of enslaved Africans by 25-year period and annual average; Appendix C.2 – European and American shippers of enslaved Africans by flag of ship; and Appendix C.3 – regional disembarkations of enslaved Africans throughout the Atlantic basin.

To reveal both the general patterns of early modern Europe’s economic history and its discrete shapes and tempos, this book is geographically, chronologically, and topically expansive. It ranges from East India Company trading networks in Southeast Asia to slaving stations on the Atlantic coast of Africa, from Mediterranean latifundia to minuscule market gardens in Flanders, from European industrial zones to New World plantations. In addition to the increasingly similar and interconnected ways by which crops were cultivated, animals bred, raw materials obtained, goods manufactured and exchanged, *Transitions* explores features specific to disparate places and institutions. Each of these arrangements implied a characteristic set of economic and social relations, so the

book introduces wage-earners and entrepreneurs, artisans and merchants, slaves and masters, serfs and lords.

To examine the rise of capitalism is to investigate the origins of the economic order that at present dominates Europe and the world. But it is also to court epistemological danger. Knowing how the story has “come out” so far can all too easily lead into a teleological and deterministic account of the origins of that result. This is not an easy problem to avoid in early modern economic history, because the very phrase “early modern” implies movement toward the present. Similarly, “transition” acquires its logic retrospectively, from the vantage point of capitalist hegemony, while terms like “pre-capitalist,” “pre-industrial,” and “proto-industrial” can imply partial or defective versions of subsequently dominant systems.

This book does not entirely avoid the trap of teleology; present concerns inevitably – and appropriately – suggest questions about the past and ways of answering them. *Transitions* does, however, seek to understand the operation of early modern economies in their own terms, rather than insinuate that they obeyed flawed logics so that the ascendancy of capitalism was ineluctable. By attending to a broad range of regions, structures, sectors, and patterns of change and continuity between the mid-fifteenth and early nineteenth centuries, it attempts to recapture the diversity and contingency of economic development during that momentous period.

Suggested Reading

Book III is the most explicitly historical section of Adam Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* (many modern editions), while Chapters I–III of Book I discuss the division of labor in a context of expanding markets. The several editions of Thomas Robert Malthus, *An Essay on the Principle of Population* have also been frequently reprinted; some editions include sources and commentaries. For a brief survey of the thought of these and other early analysts, along with a useful bibliography, see José Luís Cardoso, “The Political Economy of Rising Capitalism,” in *The Cambridge History of Capitalism*, eds. Larry Neal and Jeffrey G. Williamson, 2 vols. (Cambridge, UK, 2014), I: 574–99. In their bulk, the three volumes of Karl Marx, *Capital, A Critique of Political Economy* (originally published 1867–1894; many English translations and editions) can be intimidating. For historical materials, see especially volume I, Chapters 14, 26–32, and volume III, Chapter 20. Karl Marx, *Pre-Capitalist Economic Formations*, ed. E. J. Hobsbawm (New York, 1965), provides a superb introduction to Marx’s thinking. The earlier Marxist-inspired transition debate can best be followed in Paul M. Sweezy, *The Transition from Feudalism to Capitalism* (London, 1976); S. R. Epstein, “Rodney Hilton, Marxism and the Transition from Feudalism to Capitalism,” *Past and Present Supplement 2* (2007):

248–69, is a recent evaluation; for an update, Shami Ghosh, “Rural Economies and Transitions to Capitalism: Germany and England Compared (c. 1200–c. 1800),” *Journal of Agrarian Change* 16/2 (2016): 255–90. For Immanuel Wallerstein’s work, see his *The Modern World-System*, 4 vols. (New York, 1974–1989; Berkeley, 2011). *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, eds. T. H. Aston and C. H. E. Philpin (Cambridge, UK, 1985), includes Brenner’s work and commentaries by other scholars. Ellen Meiksins Wood, *The Origin of Capitalism: A Longer View* (London and New York, 2002), ably synthesizes Marxist scholarship arguing that agrarian capitalism caused English industrialization.

Recent essays that emphasize the cyclical nature of early modern economies requiring an exogenous shock to set off ongoing growth include George Grantham, “Contra Ricardo: On the Macroeconomics of Pre-industrial Economies,” *European Review of Economic History* 3 (1999): 199–232; Jack A. Goldstone, “Efflorescences and Economic Growth in World History: Rethinking the ‘Rise of the West’ and the Industrial Revolution,” *Journal of World History* 13 (2002): 323–89. For more extended presentations that cover longer time spans, see Gregory Clark, *A Farewell to Alms. A Brief Economic History of the World* (Princeton, 2007), and J. L. Luiten van Zanden, *The Long Road to the Industrial Revolution. The European Economy in a Global Perspective, 1000–1800* (Leiden, 2009). Bas van Bavel, *The Invisible Hand? How Market Economies Have Emerged and Declined Since AD 500* (Oxford, 2016), maintains that markets inevitably self-destruct; Ronald Findlay and Kevin O’Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millennium* (Princeton, 2007), attribute responsibility for long-term cycles of growth and contraction to the interplay of war and international trade. For interpretations arguing that primarily endogenous forces slowly accumulated, eventually causing qualitative change, see Jan de Vries, “Economic Growth Before and After the Industrial Revolution. A Modest Proposal,” in *Early Modern Capitalism: Economic and Social Change in Europe 1400–1800*, ed. Maarten Prak (London, 2001), 175–92; and Regina Grafe, “Economic and Social Trends,” in *The Oxford Handbook of Early Modern European History, 1350–1750*, ed. Hamish Scott, 2 vols. (Oxford, 2015), I: 269–94. Francesco Boldizzoni, *The Poverty of Clio* (Princeton, 2011), is a sustained critique of dominant quantitative approaches and economic theories that currently inform many explanations of early modern economic history; Jürgen Kocka, *Capitalism. A Short History* (Princeton, 2016), gives a very brief introduction to concepts and scholarship covering the title subject up to the present day.

Notable broader works that amply repay further study, are Fernand Braudel, *Civilization and Capitalism, 15th–18th Centuries*, 3 vols. (1979; New York, 1981–1984); *The Cambridge Economic History of Europe*, eds. Stephen Broadberry and Kevin H. O’Rourke, vol. I (Cambridge, UK, 2010). *The Cambridge History of Capitalism*, vol. I, reveals the wide variety of definitions of capitalism and approaches to its history, though it is disappointingly incomplete on medieval and early modern Europe. *The Oxford Encyclopedia of Economic History*, ed. Joel Mokyr, 5 vols. (Oxford, 2003), contains fine short introductions to many subjects explored in this book, though some entries are becoming dated. In

economic history as in economics in general, much of the path-breaking scholarship appears in journals. Some, like *Economic History Review*, *Explorations in Economic History*, *Journal of Economic History*, and *European Review of Economic History*, include a broad range of topics and eras; others, like *Textile History* and *Agricultural History Review*, specialize in particular sectors. An increasing number of national and regional periodicals, such as *Rivista di storia economica*, *Histoire, Économie & Société*, *Low Countries Journal of Social and Economic History*, *Scandinavian Economic History Review*, and *Revista de Historia Económica-Journal of Iberian and Latin American Economic History*, are published wholly or in part in English. More general scholarly journals such as *Past and Present*, *Journal of Interdisciplinary History*, and *Annales. Histoire, Sciences Sociales* (English edition) also regularly publish important articles on early modern European economies.