# Pre-Modern European Economy
## One Thousand Years
## ($10^{th}$-$19^{th}$ Centuries)

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*Acknowledgements*

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# INTRODUCTION

The most striking feature for the historian analysing the European economy of the millennium preceding modern growth is the simultaneous effect of contradictory forces: the forces of decline and the forces of growth. The forces of decline are to be found particularly in the rural world, where resources and techniques change slowly in relation to the increasing population, whereas the forces of growth, and their dynamic effects, prevail in the cities, in the shops and on the seas. While the agricultural product in most European regions remained stable for long periods and, in per capita terms, decreased, the product of urban shops, trades and industrial activities underwent periods of rapid increase. However, lack of progress in agriculture proved to be an obstacle to the forces of growth in the secondary and tertiary sectors.

The interaction between the forces of decline and the forces of growth was well known to classical economists. In their opinion, the wealth of a country depended on the stock of natural resources, on capital, labour and technology. Since the potential of increasing resources and capital was limited and the development of technical knowledge slow and unpredictable, the most dynamic independent variable of the economic system was population. The increase of population against a relatively stationary background could only result in a diminished productive capacity. The immediate consequence was the decline in wealth and income. The classical economists' pessimistic view coexisted with a more optimistic belief in the forces of growth. These forces of growth were able to moderate the effects of decline. The spreading of knowledge, the exchange of human experiences and the division of labour among several cooperating workers were all factors which disclosed new potentialities. Adam Smith referred to these forces when commenting on man's predisposition for bartering and exchange and the division of labour. John Stuart Mill expressed this same idea very clearly when he wrote about "the continual growth of the principle and practice of cooperation". It is true, however, that in the pessimistic vision of the classical economists the forces of decline were to prevail over the forces of growth.

A reconstruction of the economic system that preceded the recent growth of western economies must inevitably consider both the contradictory forces that distinguished the European societies and the specificity of these forces on the continent in comparison with those of other areas of the world. The particular features of the European economy can only be perceived when examining the global scenario of differences and similarities.

Historians often focus on the dynamic side of the early modern European economy. This attitude has been critically summarized by Wrigley: "General considerations seem to point so strongly in this direction. This was an age in which triumphs of European navigation and discovery opened up the whole world to commerce and when colonies of conquest and settlement were established; an age, too, when capitalist forms of enterprise became established more and more widely and modern forms of state organization evolved, both developments held to favour urban growth. There was invention and innovation in industry and transport, initially modest in nature but becoming increasingly impressive in scale and scope during the course of the 18$^{th}$ century" (Wrigley (1991), p. 274). The doubts expressed by Wrigley on this approach to the European pre-modern history coincide with our own. The European pre-modern economy was a dualistic economy where, until about 1800, decreasing returns in agriculture were stronger than the increasing returns in

industry and trade. Increasing returns began to profoundly influence the course of the economy from the first decades of the 19th century. The European economy did not describe an unilinear trend towards prosperity from the Middle Ages until the modern growth, but merely cycles around an overall stability. The constraints of the old system, often too simply defined as Malthusian, were not overcome by the rooting of bourgeois virtues in the leading social strata and their inheritance generation by generation. Useful knowledge and its spread was a slow cultural formation within the urban European civilization.

The order of the present reconstruction can easily be represented as the development of two well-known equations. The first establishes the identity of the product (*Y*) with population (*P*) multiplied by per capita product in agriculture (*A*), the secondary (*S*) and the tertiary (*T*) sectors of the economic system:

$$Y = P \cdot \frac{A + S + T}{P}$$

Looking at the demand side, the product of these sectors can only be employed for consumptions (*C*), investments (*I*) and public expenses (*G*), plus the algebraic result of exports (*X*) minus imports (*M*):

$$Y = C + I + G + (X - M)$$

Although it is often difficult to quantify the parameters in these equations for past economic systems, an identification of these can contribute to a compact reconstruction of the elements that came into play. It is always important, however, to underline the specific features of the pre-modern world and how it evolved. The application to the past of modern economic concepts must not cancel out the specificity of the pre-modern world and its differences from the present day.

This work focuses initially on the denominator of the first equation; population (Chapter I), moving on in Chapter II to look at the techniques and energy exploited in pre-modern European economy. In Chapters III-VI the products of the primary, secondary and tertiary sectors are examined, together with the organisation of these and the overall product. The second identity between product and demand will then be analyzed in Chapter VII. Chapter VIII will recall the main features of the pre-modern economic system and its workings in a more formal way.

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