

# On capitalism assignment



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The General Crisis of the European Economy in the 17th Century IN THIS ARTICLE I WISH TO SUGGEST THAT THE EUROPEAN ECONOMY passed through a " general crisis " during the 17th century, the last phase of the general transition from a feudal to a capitalist economy. Since 1300 or so, when something dearly began to go seriously wrong with European feudal society there have been several occasions when parts of Europe trembled on the brink of capitalism. There is a taste of " bourgeois " and " industrial" revolution about 14th century Tuscany and Flanders or early 16th-century Germany.

Yet it is only from the middle of the 17th century that this taste becomes more than a seasoning to an essentially medieval or feudal dish. The earlier urban societies never quite succeeded in the revolutions they foreshadowed. From the early 18th century, however, " bourgeois " society advanced without substantial checks. The 17th century crisis thus differs from its predecessors in that it led to as fundamental a solution of the difficulties which had previously stood in the way of the triumph of capitalism, as that system will permit.

In this article I propose to marshal some of the evidence for the existence of a general crisis, which is still disputed by some, and to suggest an explanation of it. In a subsequent article I propose to discuss some of the changes it produced, and how it was overcome. It is very probable that a great deal of historical work will be done on this subject and period in the next few years. Indeed, lately historians in various countries have tentatively suggested something like that " general check to economic development" or general crisis with which this paper deals. It may therefore be convenient to take a

bird's eye view of the field; and to speculate about some sort of working hypothesis, if only to stimulate better ones, or further work. Evidence for a general crisis A good deal of evidence for the " general crisis " is available. We must, however, be careful to avoid the argument that a general crisis equals economic retrogression, which has bedevilled much of the discussion about the ' feudal crisis " of the 14th and 15th centuries. It is perfectly dear that there was a good deal of retrogression in the 17th century.

For the first time in history the PAST AND PRESENT Mediterranean ceased to be a major centre of economic and political, and eventually Italy, Turkey were plainly on the downgrade: Venice was on the way to becoming a tourist centre. With the exception of a few places dependent on the Northwestern states (generally free ports) and the pirate metropolis of Algiers, which also operated in the Atlantic, there was little advance. Further north, the decline of Germany is patent, though not wholly unrelieved. In the Baltic Poland, Denmark and the Hanse were on the way down.

Though the power and influence of Habsburg Austria increased (perhaps largely because others declined so dramatically), her resources remained poor, her military and political structure rickety even at the period of her greatest glory in the early 18th century. On the other hand in the Maritime Powers and their dependencies " " " " " England, the United Provinces, Sweden, and in Russia and some minor areas like Switzerland, the impression is one of advance rather than stagnation; in England, of decisive advance.

France occupied an intermediate position, though even here political triumph was not balanced by great economic advance until the end of the century, and then only intermittently. Indeed an atmosphere of gloom and crisis fills the discussions there after 1680, though conditions in the previous half-century can hardly have been superior. Possibly the huge catastrophe of 1693-4 accounts for this. 4) It was in the 16th not the 17th century that invading mercenaries marvelled at how much there was to loot in France, and men in Richelieu's and Colbert's era looked back on Henry IV's as a sort of golden age.

It is indeed possible that, for some decades in the middle of the century the gains made in the Atlantic did not replace the losses in the Mediterranean, Central European and Baltic, the total proceeds from both stagnating or perhaps declining. Nevertheless what is important is the decisive advance in the progress of capitalism which resulted. The scattered figures for European population suggest, at worst an actual decline, at best a level or slightly rising plateau between the mounting slopes of the population curve in the later 16th and 18th centuries.

Except for the Netherlands, Norway and perhaps Sweden and Switzerland and some local areas no major increases in population appear to be recorded. Spain was a by-word for depopulation, Southern Italy may have suffered, and the ravages of the mid-century in Germany and Eastern France are known. Though Pirenne has argued that Belgian population increased, figures for Brabant do not seem to bear him out. Hungarian GENERAL CRISIS OF EUROPEAN ECONOMY IN 17TH CENTURY 35 population fell; that of Poland even more. English population growth probably slowed down rapidly

and may actually have ceased after 1630. In fact it is not easy to see why Clark concludes that " the 17th century in most of Europe saw, like the 16th, a moderate increase in population. "\* Mortality was certainly higher than in either the 16th or 18th. No century since the 14th has a worse record for epidemic disease and recent work has demonstrated that its ravages cannot be dissociated from those of international trade and finance grew to great size the number of great cities, which had risen in the 16th century, remained stable and small and medium towns frequently declined. This appears to apply in part even to the maritime countries. What happened to production ? We simply do not know. Some areas were plainly de-industrialized, notably Italy which transformed itself from the most urbanised and industrialized country of Europe into a typical backward peasant area, most of Germany, parts of France and Poland. 6 On the other hand there was fairly rapid industrial development in some places "???" Switzerland, and in the xtractive industries, England and Sweden, and an important growth of rural out- work at the expense of urban or local craft production in many areas which may or may not have meant a net increase in total output.

If prices are any guide we should not expect to find a general decline in production, for the deflationary period which followed the great price-rise of the pre-1640 era is more easily explained by a relative or absolute falling-off in demand rather than by a decline in the supply of money. However, in the basic industry of textiles there may have been not only a shift from " ld " to " new " draperies, but a decline of total output for part of the century. 10 The crisis in commerce was more general.

The two main areas of established international trade, the Mediterranean and the Baltic underwent revolution, and probably temporary decline in the volume of trade. The Baltic “” the European colony of “ the western urbanized countries “” changed its staple exports from foodstuffs to products like timber, metals and naval stores, while its traditional imports of western woollens diminished. Trade as measured by the Sound tolls reached its peak in 1590-1620, collapsed in the 1620s, and declined catastrophically after some recovery until the 1650s, remaining in the doldrums until 1680 or so. 1 After 1650, the Mediterranean became like the Baltic an area exchanging locally produced goods, mainly raw materials, for the Atlantic manufactures and the oriental goods now monopolized by the Northwest. By the end of the century the Levant got its spices from the North, not the East. French Levantine trade halved between 1620 and 1635, sank almost to zero by the 1650s and did not really recover from depression levels until after the 1670s. Dutch Levantine trade did poorly from about 1617 to about 1650. Even then the French hardly exceeded pre-depression levels much before 1700.

Did the British and Dutch sales drive in the South make up for losses in the Baltic markets ? Probably not. It may barely have made up for the decline in previous sales of Italian products. The international trade in foodstuffs “” Baltic corn, Dutch herrings and Newfoundland fish “” did not maintain its Jacobean levels. The international trade in woollen cloths may have shrunk; nor was it immediately replaced by other textiles, for the great centres of exportable linen, Silesia and Lusana, seem to have declined somewhat after 1620.

In fact it is not unlikely that a general balance of rising and declining 1660. Outside the maritime states it is unlikely that sales on the home-markets made up for this. As we know from the 19th century, the malaise of business cannot be measured simply by trade and production figures, whatever these may be. (It is nevertheless significant that the whole tone of economic discussion assumed stable markets and profit opportunities. Colbertian mercantilism, it has often been said, was a policy of economic warfare for large slices of a world trade-cake of fixed size.

There is no reason why administrators and traders “?” for economics was not yet an academic subject “?” should have adopted views which were greatly at variance with appearances). It is certain that even in countries which did not decline there were secular business difficulties. English East India trade languished until the Restoration. 13 Though that of the Dutch increased handsomely, the average annual dividend of their East India Company fell for each of the ten-year periods from the 1630s to the 1670s (including both), except for a slight rise in the 1660s.

Between 1627 and 1687 sixteen years were without dividend; in the rest of the Company’s history from 1602 to 1782 none. (The value of its goods remained stable between 1640 and 1660). Similarly the profits of the Amsterdam Wisselbank reached a peak in the 1630s and then declined for a couple of decades. 14 Again, it may not be wholly accidental that the greatest messianic movement of Jewish history occurred at this moment, sweeping the communities of the great trading centres “?” Smyrna, Leghorn, Venice, Amsterdam, Hamburg “?” off their feet 37 with special success in the middle 1660s as prices reached almost their lowest point.

It is also clear that the expansion of Europe passed through a crisis. Though the foundations of the fabulous colonial system of the 18th century were laid mainly after 1650", earlier there may actually have been some contraction of European influence except in the hinterlands of Siberia and America. The Spanish and Portuguese empires of course contracted, and changed character. But it is also worth noting that the Dutch did not maintain the remarkable rate of expansion of 1600 to 1640 and their Empire actually shrank in the next 30 years. The collapse of the Dutch West India company after the 1640s, and the simultaneous winding-up of the English Africa Company and the Dutch West India Company in the early 1670s may be mentioned in passing. It will be generally agreed that the 17th century was one of social revolt both in Western and Eastern Europe. This clustering of revolutions, has led some historians to see something like a general social-revolutionary crisis in the middle of the century. 7 France had its Frondes, which were important social movements; Catalan, Neapolitan and Portuguese revolutions marked the crisis of the Spanish Empire in the increasing exploitation of peasant by town, while in England revolution triumphed with portentous results. 18 Though peasant unrest did not cease in the West "?????" the "stamped paper" rising which combined middle class, maritime and peasant unrest in Bordeaux and Brittany occurred in 1675, the Camisard wars even later 1 "?????" those of Eastern Europe were more significant.

In the 16th century there had been few revolts against the growing enserfment of peasants. The Ukrainian revolution of 1648-54 may be regarded as a major servile upheaval. So must the various "Kurucz"



movements in Hungary, their very name harking back to Dozsa's peasant rebels of 1514, their memory enshrined in folksongs about Rakoczy as that of the Russian revolt of 1672 is in the song about Stenka Razin. A major Bohemian peasant rising in 1680 opened a period of endemic serf unrest there. It would be easy to lengthen this catalogue of major social upheavals for instance by including the revolts of the Irish in 1641 and 1689. Only in one respect did the 17th century as a whole overcome rather than experience difficulties. Outside the maritime powers with their new, and experimental bourgeois regimes most of Europe found an efficient and stable form of government in absolutism on the French model. But the rise of absolutism has been taken as a direct sign of economic weakness. (The question is worth exploring further).

The great age of ad hoc devices in politics, war and administration vanished with the great world empires of the 16th century, the Spanish and Turkish. For the first time large territorial states seemed capable of solving their three fundamental problems: how to have the orders of government obeyed directly over a large area, how to have enough cash for the large lump-sum payments they periodically needed, and partly in consequence of this how to run their own armies. The age of the great independent financial and military sub-contractors faded with the Thirty Years' War.

States still had to subcontract, as the practice of selling offices and farming taxes bears witness. However, the whole business was now officially controlled by governments, not merely controlled in practice by the fact that, as the Fuggers and Wallenstein had found to their cost, the monopoly buyer can dictate terms as much as the monopoly seller. Perhaps this obvious

political success of the absolutist territorial states with their pomp and splendour has in the past distracted attention from the general difficulties of the age.

If only part of this evidence holds water, we are justified in speaking of a "general crisis" in the 17th century; though one of its characteristics was the relative immunity of the states which had undergone "bourgeois revolution." "It is probable" though here we venture on the complex territory of price history "that the crisis began about 1620; perhaps with the slump period from 1619 into the early 1620s. It seems certain that, after some distortion of price movements by the Thirty Years' War, it reached its most acute phase between other economic movements.

From then on the evidence is conflicting. Probably the signs of revival outweigh those of crisis not only (obviously) in the Maritime States but elsewhere. However, the wild oscillations of boom and depression, the famines, revolts, epidemics and other signs of profound economic trouble in 1680-1720 should warn us against ante-dating the period of full recovery. If the trend was upwards from, say, the 1680s" or even earlier in individual countries "it was still liable to disastrous fluctuations.

It may, however, be argued that what I have described as a "general crisis" was merely the result of 17th century wars, particularly of the Thirty Years' War (1618-1648). In the past historians have in fact tended to take (or rather to imply) this view. But the crisis affected many parts of Europe not ravaged by generals and quartermasters; and conversely, some traditional "cockpits

of Europe ” (e. g. Saxony 39 and the Low Countries) did notably better than more tranquil regions.

Moreover, there has been a persistent tendency to exaggerate the long-term and permanent damage done by 17th century wars. We now know that (other things being equal) the losses of population, roduction and capital equipment of even 20th century wars, whose destructive capacities are much greater, can be made good within a matter of 20-25 years. If they were not in in the 17th century, it was because wars aggravated already existing tendencies of crisis. This is not to deny their importance, though their effects were more complex than appears at first sight.

Thus against the ravages of the Thirty Years’ War in parts of Central Europe we must set the stimulus it gave to mining and metallurgy in general, and the temporary booms it stimulated in non-combatant ountries (to the temporary benefit of Charles I in the 1630s). It is also probable that, but for it, the great ” price-rise ” would have ended in the 1610s and not the 1640s. The war almost certainly shifted the incidence of the crisis and may, on balance, have aggravated it.

Lastly, it is worth considering whether the crisis did not to some extent produce a situation which provoked or prolonged warfare. However, this point, which is not essential to the argument, is perhaps too speculative to be worth pursuing. The causes of the crisis In discussing the 17th century crisis we are really asking one of the fundamental uestions about the rise of capitalism: why did the expansion of the later 1 5th and 16th centuries not

lead straight into the epoch of the 18th and 19th century Industrial Revolution?

What, in other words, were the obstacles in the way of capitalist expansion ?

The answers, it may be suggested, are both general and particular. The general argument may be summarized as follows. If capitalism is to triumph, the social structure of feudal or agrarian society must be is. to increase; the social labour force must be radically redistributed from agriculture to industry while this happens. The proportion of production which is exchanged in the supra-local market must rise dramatically.

So long as there is no large body of wage-workers; so long as most men supply their needs from their own production or by exchange in the multiplicity of more or less autarchic local markets which exist even in primitive societies, there is a limit to the horizon of capitalist profit and very little incentive to undertake what we may loosely call mass production, the basis of capitalist industrial expansion. Historically, these processes cannot always be separated from one another.

We may speak of the " reation of the capitalist home market " or the divorce of the producers from the means of production which Marx called " primitive accumulation " " : the creation of a large and expanding market for goods and a large and available free labour force go together, two aspects of the same process. It is sometimes assumed that the development of a " capitalist class " and of the elements of the capitalist mode of production within feudal society automatically produce these conditions. In the long run, taking the widest view over the centuries from 1000 to 1800 this is no doubt so.

In the shorter run it is not. Unless certain conditions are present " it is by no means yet clear what they are " the scope of capitalist expansion will be limited by the general prevalence of the feudal structure of society, i. e. of the predominant rural sector or perhaps by some other structure which " immobilizes " both the potential labour-force, the potential surplus for productive investment, and the potential demand for capitalistically produced goods, such as the prevalence of tribalism or petty commodity production.

Under those conditions, as Marx showed in the case of mercantile enterprise" business might adapt itself to operating in a generally feudal framework, accepting its limitations and the peculiar demand for its services, and becoming in a sense parasitic on it. That part of it which did so would be unable to overcome the crises of feudal society, and might even aggravate them. For capitalist expansion is blind.

The weakness of the old theories which ascribed the triumph of capitalism to the development of the " capitalist spirit " or the " entrepreneurial spirit " is, that the desire to pursue the maximum profit without limit does not automatically produce that social and technical revolution which is required. At the very least there must be mass production (i. e. production for the greatest aggregate profit " large profits, but not necessarily large profits per sale) instead of production for the maximum profit per unit sale.

Yet one of the essential difficulties of capitalist development in societies which keep the mass of the population outside its scope (so that they are neither sellers of labour-power nor serious buyers of commodities) is that in

the short view the profits of the really "revolutionary" types of capitalist production are almost less, or look less attractive, than those of the other kind; especially when they involve heavy capital investment. It is true that in the 16th century would seem much sounder than to start sugar-plantations in the Americas; to sell Bologna silks than to sell Ulm fustian. Yet we know that in subsequent centuries far vaster profits were achieved by sugar and cotton than by pepper and silk; and that sugar and cotton contributed far more to the creation of a world capitalist economy than the other two.

Under certain circumstances such trade could, even under feudal conditions, produce large enough aggregate profits to give rise to large-scale production; for instance if it catered for exceptionally large organizations such as kingdoms or the church; if the thinly spread demand of an entire continent were concentrated into the hands of businessmen in a few specialized centres such as the Italian and Flemish textile towns; if a large "lateral extension" of the field of enterprise took place, e. . . by conquest or colonization. A fair amount of social re-division was also possible without disturbing the fundamentally feudal structure of society "for instance the urbanization of the Netherlands and Italy on the basis of food and raw materials imported from semi-colonial territories. Nevertheless the limits of the market were narrow. Medieval and early modern society was a good deal more like "natural economy" than we care to recall.

The 16th and 17th century French peasant is said hardly to have used money except for his transactions with the State; retail trade in German towns was unspecialized, like that in village shops, until the late 16th

century. 28 Except among a small luxury class (and even there changing fashion in the modern sense probably developed late) the rate of replacement of clothes or household goods was slow. Expansion was possible and took place; but so long as the general structure of rural society had not been revolutionized it was limited, or created its own limits; and when it encountered them, entered a period of crisis.

The expansion of the 15th and 16th centuries was essentially of this sort; and it therefore created its own crisis both within the home market and the overseas market. This crisis the "feudal businessmen" who were the richest and most powerful just because the best adapted for making big money in a feudal society were unable to overcome. Their inadaptability intensified it. Before analysing these things further, it may be worth stressing that the purely technical obstacles to capitalist development in the 16th and 17th century were not insuperable.

While the 16th century may not have been capable of solving certain fundamental problems of technique, such as that of a compact and mobile source of power which so baffled Leonardo, it was quite capable of at least as much innovation as produced the 18th century revolution. 42 Nef and others have made us familiar with the innovations which actually occurred, though the phrase "Industrial Revolution" seems less apt for the period 1540-1640 than for the Germany of 1450-1520 which evolved the printing press, effective fire-arms, watches, and the remarkable advance in mining and metallurgy summarized in Agricola's *De Re Metallica* (1556).

Nor was there a crippling shortage of capital or capitalist enterprise or of labour, at least in the advanced areas. Sizeable blocks of mobile capital anxious for investment and, especially in the period of rising population, quite important reservoirs of free wage-labour of varying skill existed. The point is, that neither were poured into industry of a potentially modern type. Moreover, methods for overcoming such shortages and rigidities of capital and labour supplies might have been utilized as fully as in the 18th and 19th centuries.

The 17th century crisis cannot be explained by the inadequacies of the equipment for Industrial Revolution, in any narrowly technical and organizational sense. Let us now turn to the main causes of the crisis. The specialization of '??????'feudal capitalists “: the case of Italy The decline of Italy (and t i e old centres of medieval commerce and manufacture in general) was the most dramatic result of the crisis. It illustrates the weaknesses of “ capitalism ” parasitic on a feudal world.

Thus 16th century Italians probably controlled the greatest agglomerations of capital, but misinvested them flagrantly. They immobilized them in buildings and squandered them in foreign lending during die price-revolution (which naturally favoured debtors) or diverted them from manufacturing activities to various forms of immobile investment. It has been plausibly suggested that the failure of Italian manufacture to maintain itself against Dutch, English and French during the 17th century was due to this diversion of resources. It would be ironic to find that the Medici were Italy's ruin, not only as bankers but as patrons of the expensive arts, and philistine historians are welcome to observe that the only major city state which never produced

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any art worth mentioning, Genoa, maintained its commerce and finance better than the rest. Yet Italian investors, who had long been aware that too large cathedrals harm business, were acting quite sensibly.

The experience of centuries had shown that the highest profits were not to be got in technical progress or even in production. They had adapted themselves to business activities in the comparatively narrow field which remained for them once one left aside the majority of the population of Europe as "economically neutral." If they spent vast amounts of capital non-productively, it may have been simply because there was no more room to invest it progressively on any scale within the limits of this "capitalist sector. (The 17th century Dutch palliated a similar glut of capital by multiplying household goods and works of art" though they also discovered the more modern device of a speculative behaviour by economic adversity; though they had made money for so long by roviding the feudal world with its trade and finance that they would not have learned easily. However, the general boom of the later 16th century (like the "Indian summer" of Edwardian Britain) and the suddenly expanded demands of the great absolute monarchies which relied on private contractors, and the unprecedented luxury of their aristocracies, postponed the evil day.

When it came, bringing decay to Italian trade and manufacture, it left Italian finance still upright, though no longer dominant. Again, Italian industry might well have maintained some of its old positions by switching more completely from its old high-quality goods to the shoddier and cheaper new draperies of the North. But who, in the great period of luxury buying from 1580-1620 would guess that the future of high-quality textiles was limited?

Did not the court of Lorraine, in the first third of the century use more textiles imported from Italy than from all other non-French countries put together (One would like to reserve Judgment on the argument that Italy lost ground because of higher production costs for goods of equal quality, until stronger evidence for it is brought forward or until we have a satisfactory explanation for the failure of Italian production, after promising beginnings, to shift as wholeheartedly from towns to countryside as did the textile industries of other countries. ) The case of Italy shows why particular countries went down in the crisis, not necessarily why it occurred. We must therefore consider the contradictions of the very process of 16th century expansion. The contradictions of expansion: Eastern Europe The comparative specialization of west-European towns on trade and manufacture was to some extent achieved in the 15th and 16th centuries by the creation of a sizeable surplus of exportable food in Eastern Europe and perhaps by ocean fisheries. 15 But in Eastern Europe this was achieved by the creation of serf agriculture on a large scale; i. e. a local strengthening of feudalism. This, we may suggest, had three effects. It turned the peasant into less of a cash customer than he had been or might have been. (Or else it forced him off good-quality western textiles into cheap locally produced cloth). It diminished the number and wealth of the minor nobility for the benefit of a handful of magnates. In Poland the former controlled 43.8% of ploughs in the mid-15th century, 11.1% in the mid-17th; the share of the latter rose from 13.3 to 30.7 in the same period.

Lastly, it sacrificed the livelier market of the towns to the free trade interests of exporting landlords, or else seized much of what trade was going for the

benefit of the already bloated lords. " The expansion thus had two results. While creating the conditions for the expansion of manufactures in Western Europe, it cut down, for a time at least, the outlets of these manufactures in the Baltic area " perhaps its most important market. The desire to cash in rapidly on the growing demand for corn " the Baltic now began to feed not