CHAPTER TWO

WHY THE EUROPEAN ECONOMY EXPANDED RAPIDLY IN A PERIOD OF POLITICAL FRAGMENTATION

Introduction

Around 1000 Western Europe was an economically underdeveloped and marginal part of the Eurasian continent. It was undeniably backward when compared to the flourishing societies of Sung China and the Arab world, which both experienced a period of brilliant expansion in these years. The Latin West, as the region was often called at the time, was also relatively small compared to its close and distant rivals. Apart from the former Carolingian Empire, it included the British Isles and Southern Italy and, increasingly, from 950 to 1350, Central Europe and Scandinavia, while Islamic civilization covered an area stretching from the Umayyad Caliphate, centred around Cordoba in southern Spain, to Samarkand in Uzbekistan, and at times reached to China. Moreover, Europe was sparsely populated; both Sung China and the Islamic world had a much larger number of inhabitants. More importantly, Europe was principally agricultural, with a low level of urbanization (this was true even in Italy, the urban centre of the region before 500), backward technology, low levels of commercialization and market exchange (again, compared to China and the Middle East), and a predominantly illiterate population.

All this changed radically in the course of the High Middle Ages. During the long period of prosperity that lasted from about 950 to 1300, Western Europe probably became the most highly urbanized region in the world. Joseph Needham (1970, p. 414), the expert on Chinese civilization and technology, estimated that by the fourteenth or fifteenth century, Europe’s economic development surpassed China’s development, and it had by then probably already overtaken the centres of economic development in the Middle East. During the ‘big boom’ of the Middle Ages, Europe’s population increased by 100 to 150%. Moreover, the Western European economy became very dynamic and innovative, both by importing new technology from abroad (mainly from the Middle East) and by developing its own new techniques. In short, a veritable economic revolution occurred, which also established
the basis for the future economic development of the subcontinent in the centuries after 1300.

After sketching the outline of the ‘big boom’ between 950 and 1300, this chapter focuses on the underlying institutional changes behind the revival of Europe’s economy. What is especially striking is that this transformation of the European economy occurred in a period of political fragmentation. The number of states in continental Western Europe increased from fewer than 10 in 800 – when Europe was dominated by the giant empire of Charlemagne – to more than 200 in 1300. The exact number depends on how exactly an ‘independent’ political entity is defined. How, for example, should we classify the Holy Roman Empire in different periods and regions, and when does a semi-independent city become a city-state?\(^1\) That the number of political entities by any definition increased dramatically is quite clear, however. The combination of rapid economic development and political fragmentation is counter-intuitive. There is a certain logic to the argument that economic growth, especially the growth of trade, is positively related to the size of political entities (Epstein, 2000). Large empires have in the past often produced flourishing economies. An important argument in the recent reassessment of Chinese economic development during the Ming and Qing, for example, is that it was able to generate large internal trade flows, possibly comparable in size, and perhaps even larger, than trade flows within the European economy at the time (Pomeranz, 2000; Shiue and Keller, 2007). The Pax Romana is another striking example: the establishment of long-lasting peace and (a certain measure of) stability in the Mediterranean as a result of the Roman conquests without a doubt had a strong positive impact on the economy of the area. The conquest of the Middle East by the Muslims in the seventh and eighth centuries resulting in the creation of the Umayyad empire also led to a booming economy, as barriers to trade disappeared, the region was unified by one ruling class speaking one language and imposing the same institutions (Bosker, Buringh and Van Zanden, 2008). Similar, but less spectacular perhaps, was the impact of the Carolingian Empire created during the eighth century. Again we see a significant expansion of trade linking the various parts of the Empire together, from Pavia

\(^1\) Cf. Tilly (1990) for a discussion of these issues; he seems to arbitrarily set the number of states in Europe in 1490 at 200, arguing that “no plausible set of definitions yields fewer than 80 distinct units or more than 500”.