PART TWO

THE LITTLE DIVERGENCE WITHIN EUROPE
INTRODUCING THE PROBLEM
THE LITTLE DIVERGENCE WITHIN EUROPE, 1400–1800

Part I of this book has demonstrated how from 900 to 1300 economic growth was a pan-European phenomenon, characterized by significant increases in population, urbanization levels, and real income almost everywhere on the sub-continent. Europe changed from an economic periphery into a dynamic centre of growth and innovation. The European boom from 900 to 1300 may have arguably been its most remarkable period of expansion before the industrialization of the Europe in the nineteenth century.

By the early modern period (1500–1800), however, the situation was very different. Growth was now largely concentrated in a relatively small part of Western Europe: in the Low Countries and the British Isles. This North Sea region was already very dynamic during the Middle Ages, when Flanders became the urban centre of northwest Europe, and continued to perform well during both the post-1348 ‘crisis’ and the centuries from 1500 to 1800. In the sixteenth century growth was probably concentrated in the southern Netherlands; in the seventeenth century Holland and the rest of the Dutch Republic became the focal point of expansion, and in the eighteenth century England and Scotland took the lead. At the same time, northern Italy went into decline: it had probably reached its peak GDP per capita during the fifteenth century, stabilized at a high level until about 1600, and saw its per capita income fall in the next two centuries (Malanima, 2003). Similarly, Spain’s economic performance in the period of 1500–1800 was one of near-stagnation in income per capita, which was, as will be elaborated in more detail in Chapter 8, fairly ‘normal’ in large parts of Western Europe (Van Zanden, 2001a; Nogal and Prados de la Escosura, 2007).

The divergence between the North Sea area and the rest of Western Europe is also very clear from evidence on the long-term development of real wages from 1400–1800. Bob Allen (2001), in a pioneering paper, developed a method for estimating the standard real wages of unskilled and skilled craftsmen for a large set of European cities in this period that most clearly demonstrates the ‘little divergence’ that occurred. Figure 8 gives Allen’s estimates for the unskilled labourers, to which I added similarly estimated real wages for Stockholm (see