CHAPTER VIII

PRE-MODERN ECONOMIES

Previous chapters have examined the developments of agriculture, trade and industry as well as the structure of demand in the pre-modern European economy. Special attention has been paid to technical constraints, particularly those deriving from knowledge in the field of exploitation of energy sources.

Three specific themes shall now be briefly re-examined summarising what has been previously shown:

1. essential differences between pre-modern agricultural economies and the modern economy;
2. the functioning of the pre-modern agricultural economy;
3. long-term economic evolution during the millennium prior to the 19th century.

While in previous chapters the complexity of the European pre-modern economy has been emphasised, here a simplified view will be presented in order to highlight the specific interdependence of the variables in a complete model.

1. Past and present economies

To get a sense of the specific features of past agrarian economies we will contrast them with those of present advanced economies.¹

1.1. Levels in time

Productive capacity is the essential difference between past and present economies. Today, the worldwide annual production of goods and services is approximately 40–60 times higher than that of the late 18th

¹ On the difference between present and past economies see the notes by Lucas (2002) and especially the Introduction.
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century. As we have seen, increase on a per capita basis has been sixfold.\(^2\) Today, part of humanity can afford not merely the bare essentials for subsistence, but also the inessential, whereas, in the past, production techniques ensured mankind little more than survival. We have seen how this difference in the productive capacity depended essentially on the technical possibility of performing useful work through the exploitation of energy carriers; this today is high, while in the past it was modest.

The productive capacity of past agricultural societies varied within a narrow range of values between mere subsistence and a maximum not higher than two to three times the necessary requirements for survival.

1.2. Stability and instability

When we focus on a specific area, the main feature of a pre-modern agrarian economy is long-term equilibrium, or stability, of gross output. This equilibrium was maintained by a fall in per capita output whenever population rose and an increase when population diminished. The main differences between pre-modern and modern economies can be summarised by the two following features:

- in pre-modern economies gross output is stable in the long term, but unstable in the short, due to frequent famines and epidemics;
- in modern economies product is unstable in the long term (characterised as it is by strong growth), but usually stable in the short.

However, we saw that, on the European scale, gross output underwent remarkable growth, through extensive processes.

1.3. Divergence among regions

Today, in the economies at the top of the world hierarchy, per capita output is as much as 70 times higher than in those at the bottom. Such a strong difference could not have existed in the past as a consequence of the narrow range of per capita output variation. In one region people could enjoy an average income not more than two to three times higher than in another. It is difficult to specify if, in 1800, the average

\(^2\) In Chap. VI.