

AN OUTLINE OF
EUROPEAN ECONOMIC
DEVELOPMENT

BY

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PREFACE

THIS little book is an attempt, by one who is not a specialist in economic history, to meet a need, hitherto ignored by specialists, for a short sketch of the economic development of Europe as a whole, considered, that is, as an area which has experienced a fairly uniform evolution, which has come under the same general influences, and within which the same processes of production have tended to dominate, while the same machinery of exchanges has had full sway. Some sections of economic histories already published have indeed done this for certain periods, but usually on a scale that makes the work available only to the advanced student. This book is primarily meant for the Higher Certificate forms at school, for Intermediate classes at the University and for members of W.E.A. classes ; it is hoped, however, that the general reader who is interested in a simple presentation of the main problems of economic history will not find this too much of a text-book.

My thanks are due to Mr. H. L. Beales, of the London School of Economics, to Mrs. Nickoley and Mr. Fuad Mufarrij, of the American University of Beirut, and especially to my wife, for kind assistance in the revision of the text, and to the authorities of the University for lightening my teaching duties during the completion of this work.

ROGER H. SOLTAU.

BEIRUT, SYRIA.
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INTRODUCTION

WHAT IS 'ECONOMIC HISTORY'?—History may be defined as the record of all that has ever happened in the world in every aspect of its development. In the usual sense of the term, however, history is primarily concerned with the record of the activities of man, and we call 'prehistoric' those ages of which no record exists. We then proceed to isolate and classify these activities into 'political,' 'religious,' 'artistic,' 'economic,' etc., but this is, of course, an artificial process—each of these forms of human activity reacts on the others; each is but one aspect of a common life led by human society as a whole at any particular time.¹ Still, it is convenient and necessary, for purposes of study, to make these artificial distinctions, and we isolate, under the term 'economic,' those activities which are immediately and chiefly directed to making a living: the obtaining of food, the making of clothing, the inventing and manufacturing of tools, and the gradual building up of an elaborate organisation which we call the economic structure of society. This organisation came about because, quite early in his development, man realised that 'making a living' is easier if it is carried out co-operatively instead of individually—by division of labour in production and by exchange of goods in distribution. Thus, making a living became a social fact. It has necessitated control by the political power, and has controlled it in its turn; it has been directly influenced by religious ideas, and has also influenced them profoundly; and we may say that the system of production and exchange in existence in any particular society at any

¹ The student who is interested in the various ways in which 'economic history' can be approached will find the subject fully treated in the Introduction to Nussbaum's *History of the Economic Institutions of Europe* and in the Introduction, Preface and first chapter of Knight, Barnes and Fluegel's *Economic History of Europe*, from both of which we have freely borrowed in this chapter.

'There is no such thing as economic history, but only a history of the economic aspects of human history, an aspect which is inseparable from the others. There is no such person, at any given epoch, as an economic man, distinct from the political man or the religious man; there is only the man of a particular period, who enjoys and suffers, prays, reads books, discusses politics, looks at pictures, goes to entertainments, and dies' (Hauser, *Les Origines historiques des problèmes économiques*, p. 3). French-reading students will find this essay full of interesting suggestions.

particular period is probably what gives that society its distinctive characteristics.

EVOLUTION OF ECONOMIC LIFE.—Economic organisation, like every human organisation, is perpetually changing. Life means transformation, stagnation means decay and death, and it is probably true to say with Professor Adams that 'economic advance seems to be a condition of progress: no general and permanent progress of civilisation is possible unless it is based on economic improvement.' But change is by no means uniform in its speed, nor simultaneous in all societies. Some eras were eras of very slow evolution, often interspersed with periods of swift alteration. Generally speaking, primitive societies evolve slowly, but there are instances, of which China is the most conspicuous, of societies evolving fairly rapidly to a high degree of civilisation, and thereafter becoming almost static for centuries. Even in periods of transformation, change only comes, as it were, by outbursts of energy which vary greatly in the different departments of a human activity: new economic institutions do not entirely replace the old, which linger on, sometimes for many years; so that any careful student can invariably observe, at any given time, the remains of the institutions of a bygone age. 'Overlapping' is the rule; just as both camels and motor cars can still be seen in the streets of any Eastern town, and the coster's cart and the 6-ton lorry in those of London, so handicraft survives in the age of machinery,¹ and many relics of feudalism could still be found in the rural life of the nineteenth century.

We spoke just now of the prehistoric eras of which no records exist. The student of history should always remember that those prehistoric and primitive times were, as a matter of fact, periods of great progress. Practically all the essentials of our economic organisation had been established before economic history really begins. 'Not until the Industrial Revolution of the eighteenth and nineteenth centuries,' says Dr. Knight, 'were there as notable contributions to material culture and the economic institutions developing therefrom as those which primitive man had slowly and painfully fashioned during a hundred thousand years or more of effort through a trial-and-error technique.'

WHAT IS 'EUROPE'?—Having defined the subject of this book, we may now define the geographical area which it covers. What

¹ Readers interested in this question of the survival of specialised handicraft in an age of machinery will find much information in Miss Hartley's *Here's England*—'an astonishing and comprehensive gleaning,' says *The Times Literary Supplement*, 'of country crafts and traditional methods which still make head against the machines.'

do we mean by 'Europe'? We all know the geographical continent of that name, but for the economic historian the term has a meaning which is both broader and narrower. It refers to an area which has some considerable measure of unity, which has experienced a fairly uniform evolution, which has come under the same general influences, and within which the same processes of production have tended to dominate, and the same machinery of exchanges has had full sway.

This economic Europe is smaller than the European continent, because it excludes or at least has little to do with the Scandinavian peninsula and the Russian plains. On the other hand, the Europe of Roman days comprised the whole of the Mediterranean basin; sixteenth-century expansion added the Americas; nineteenth-century colonisation brought Australia and large areas of Asia and Africa into the sphere of European economic development, and these lands in their turn reacted upon that development to no small degree. 'The Europe whose economic aspect we have to study,' says Nussbaum, 'is more limited in its beginning than geographical Europe, and is world-wide in its ultimate developments.'

AIMS AND METHODS.—We wish to trace the evolution of this 'economic Europe' from the time of its first economic unity to the present. It follows that we are not concerned with the history of its separate states, except when it is essential to indicate in some of these important differences of development, or when the progress of a particular country had a direct reaction upon European progress as a whole. It follows also that we must keep to a few salient lines of evolution, that we must select with great care the significant features of any particular period, and, as Knight says, 'drop out of our account of each situation most of what failed to survive in some significant form in the next.'

No attempt has been made at a continuous and comprehensive narrative. Instead, a number of landmarks have been selected from which it is possible to obtain a general survey of a clearly defined period of development. At each of these stages we shall take, as far as possible, a kind of bird's-eye view of the main features of European economic life at that particular time, contrast it with preceding conditions, and then account for the transformations, remembering always that all development is continuous, and that such landmarks are only arbitrarily selected points at which we may get a 'close-up,' as it were, of a perpetually moving and perpetually changing picture.

Our first viewpoint will be about the year A.D. 300, when Imperial Rome had definitely achieved, for the first time in

history, the political and economic unification of what was then the civilised world; in her ignorance of economic processes, however, she failed to realise what were the conditions of permanence for such an edifice, and some 150 years later came the inevitable crash.

Our next landmark will be about the year 800, when we shall see Europe at the fullness of what is called the Feudal Age: all life, political, social, and economic, revolves round the idea of organised security—the small walled town, the fortified manor or castle as centre of agricultural life, and a commercial system which is still limited by the problems of unsafe transportation.

Our third stopping-point will be the year 1350, a time of broader and fuller life, of freer communications and expanding trade, centring in rapidly growing towns, still religiously and culturally homogeneous, though signs of disintegration are already visible.

Fourthly will come Europe, about the year 1600, transformed religiously and politically by the Reformation and economically by what is commonly called the 'Commercial Revolution'—divided into jealously independent states, dominated by the materialist and selfish philosophy of mercantilism.

Our fifth survey will show Europe in the early stages of what is commonly called the 'Industrial Revolution,' on the threshold of transformation from a still predominantly agrarian and rural economy to a civilisation resting on industry and on towns.

The sixth picture, taken about 1870, will be one of contrast between a highly industrialised Great Britain, at the height of her economic supremacy, and a continent which is still some way behind, but is rapidly preparing to challenge this supremacy, while the United States are also entering the struggle for economic world power.

Seventhly, and lastly, we shall survey the present era, with industrialism in full sway, and Europe, now inseparable from the rest of the world, making desperate attempts to reorganise her economic life after the disastrous disturbances of the Great War.

The story is therefore, in the main, one of evolution from a simple agricultural economy to a highly technical and complex industrial system. But the student must always bear in mind, as we said earlier, that this evolution does not proceed at a uniform speed, some periods showing a much faster rate of change than others, and that the same period of time can see co-existing side by side several systems, each of which really represents a different stage of economic evolution.

AN OUTLINE OF EUROPEAN ECONOMIC DEVELOPMENT

CHAPTER I

THE ROMAN IMPERIAL AGE

§ 1. THE ROMAN EMPIRE

EXTENT OF THE EMPIRE.—At the time of its largest extent, about A.D. 300, the Roman Empire stretched over $3\frac{1}{4}$ million square miles and occupied about a quarter of the European continent, including all the more fertile regions—Greece, Macedonia, Thrace, and the Balkan and Danube lands in the east, and in the west Italy and its islands, Spain, Gaul and Great Britain. It was divided into seventy-one provinces and over two hundred ‘cities’ or territories. Its boundaries were the Danube and the Rhine in northern Europe, the Forth and the Clyde in Great Britain, the sea to the west, the desert to the south and east. Beyond these boundaries barbarism still reigned in Europe. This enormous area formed one single political and economic system, with one single centralised administration, one single official language, one single citizenship—the largest effective unit which the world has yet known. Its system of communications was so efficient that at no time until the eighteenth century was travelling as fast and as easy as in the days of the Roman Empire.

HOW THE EMPIRE GREW.—Although the history of this Empire is not our concern, it is worth noting that this expansion was not the result of any deeply thought out policy. Rome grew by what may almost be described as a series of accidents. ‘She was denied the exclusively municipal life for which her form of government fitted her and which was permitted to Athens,

Sparta and other cities snugly ensconced in their valley nests and mountains of Greece. She had no pent-up Attica in which to live a separate life. There were rival towns all about her in the plains of Latium and beyond the Tiber in Etruria. When these had been brought under her supremacy she had but gained new hostile neighbours to whom her territory was equally open. She seemed compelled for her own peace to conquer all Italy. Italy subdued, she found herself separated by but a narrow strait from Sicily. Drawn into the tempting island by ambition and policy, she came face to face with Carthage. In subduing Carthage she was led to conquer Spain. She had been caught in a tremendous drift of compelling fortune. Not until she had circled the Mediterranean with her conquests and sent her armies deep into the three continents that touch its waters did she pause in the momentous undertaking of bringing the whole world to the feet of a single master.¹ As Dr. Knight well summarises it: 'The Roman Empire grew by the process of suppressing nuisances on its frontiers.'

Political and geographical expansion does not explain the whole process, however. The secret of Rome's power lay in her marvellous capacity for assimilation, and her absence of racial exclusiveness. By opening wide the doors of her citizenship she changed her enemies into loyal supporters. The future emperor Claudius, speaking in the Senate in favour of the admission of the recently conquered Gauls to full citizenship, reminds the senators of the gradual absorption into Rome of Alba, Etruria, all Italy up to the Alps, and then exclaims: 'Are we sorry that the Balbi came from Spain, and others not less distinguished from Gaul? It was exclusiveness that caused the fall of Athens and Sparta. Foreigners have ruled over us; even sons of freedmen, descendants of slaves.'

§ 2. ROMAN AGRICULTURE

AGRICULTURE IN EARLY ROME.—Early Rome was a community of free peasants, the wealthier of whom formed the old Roman 'aristocracy.' The farm was worked in common by the whole family, and the land was either actually owned or held on a lease, rent being paid either in cash or in a share of the produce. The leases were for long numbers of years and were so regulated by custom as to be virtually a form of ownership, much land remaining common property, for pasture, fuel, etc. But with the conquest of Sicily and its cornfields in the third century B.C. came large supplies of cheap food and a big fall in agricultural

¹ Woodrow Wilson, *The State*, p. 99.

prices ; this meant ruin to thousands of peasants, who sold their farms at very low prices or abandoned their leases and migrated to the town or gave themselves up as slaves to escape starvation. In a very short while most of the small farms had been amalgamated by big landlords into the big estate or *latifundium* which by the first century B.C. had become the basis of the agricultural system, instead of the exception. Those estates of thousands of acres were increased, in spite of desperate legislation to prevent this process, by the unscrupulous annexation of common land ; they were owned by ' absentee ' landlords, who resided in the city and left their administration to a bailiff, and they were worked mainly by slave labour. One such estate, by no means exceptional, included 4116 slaves, 3000 pair of oxen, and 257,000 other head of stock.

As those figures indicate, stock-raising was an important source of wealth ; while cheap corn came from outside Italy, large amounts of meat, wool and skins were needed by a quickly growing population : Rome herself was rapidly increasing by migrations from the countryside, by the influx of business people from the newly conquered territories flocking to the metropolis. Further, this expansion of the population caused an enormously increased demand for wine, which, once the luxury of the wealthy in a water-drinking peasantry, had become by the end of the second century B.C. the ordinary drink of the people, vineyards being planted on much of what had once been arable land. And vine-growing ultimately led to grazing, owing to the rapid exhaustion of land devoted to vines : after some years, in the absence of scientific fertilising, it was only fit to be turned into pasture land.¹

Thus, by the beginning of the Christian era, sheep and cattle were rapidly driving corn away from the land. The elder Cato, once asked what was the most profitable way of using the land, replied : ' Profitable cattle-raising.' ' And what the second best ? ' ' Moderately profitable cattle-raising.' ' And the third best ? ' ' Unprofitable cattle-raising.' ' And the fourth best ? ' ' To plough the land.' He may have exaggerated, but undoubtedly voiced a prevailing opinion, which is easily understood if one considers the good prices obtained by meat, and the

¹ See the chapter on ' Wine in Roman History ' in Professor Ferrero's *Characters and Events in Roman History*. He attributes much of the weariness of civil warfare, which enabled Augustus to establish the Empire, to the fact that fighting causes more damage to vineyards than to grain crops ; the Romans of the fourth and third centuries B.C., who were farmers, could put up with the occasional loss of a harvest that was but part of their income ; but those of 200 years later, who were vine-growers and cattle-breeders, could not stand the destruction of what was, in fact, their capital.

difficulty of profitable grain-raising in the face of large imports of cheap corn from Egypt, Gaul and Asia Minor.

AGRICULTURE IN IMPERIAL DAYS.—With the beginning of the Christian era came a change. The establishing of the strong Imperial authority put an end to civil strife, and thereby to one of the chief sources of the supply of slaves, prisoners of war; and farming with slave labour was proving increasingly wasteful and expensive. The result was a return to tenant-farming—the cutting up of the *latifundium* into farms let out to peasants who remained in close touch with the lord of the estate or his agent but were mostly freemen. The lord retained a private domain worked for him by his slaves, on which he might reside for part of the year at least.

The typical Roman estate of the third century A.D. would thus cover a good many hundred acres; a 'very small' villa in Gaul comprised nearly 300 acres. A proportion of this would be worked for the owner's benefit either by slaves or by free labourers, probably by both. It would comprise the villa itself, a large rambling structure built on three sides of a court or inner garden, with adjoining barns, slave quarters, etc. The rest of the estate would be let out to a number of tenants, probably holding their land on a variety of tenures: some of them might, in fact, be slaves or labourers who had acquired with their savings some tiny holding worked by their wives or children while they toiled on the lord's domain, at least for part of the year. Many of them, holding land in exchange for services and not for a cash rent, became tied to the land—legally free but unable to migrate since their labour was necessary to the landlord.

Add to this, to complete the picture, the existence, in between those large owners, of small farmers of various kinds—ex-soldiers with a small grant of land; pioneers sent to reclaim hitherto waste lands; various casual settlers. But the tendency was general for these farms and settlements, especially in the outlying parts of the Empire, to attach themselves to some big estate, partly for protection in case of frontier troubles, partly for economic purposes; with the result that these 'colonists,' as they were called, soon tended to become quasi-serfs, like the former free tenants, bound to the soil from father to son.

Agriculture was primitive; intelligent as they were in many ways, the Romans did very little for the progress of agricultural technique. They knew about rotation of crops, but the cheapness of available labour and the stony character of the soil of the Mediterranean basin discouraged the use of machinery and research into more effective methods of toil. So corn, wine,

olives, vegetables and a few fruits, together with sheep-farming, remained the basis of the Roman farm, with cattle-grazing in the more northerly areas where vines and olives would not grow and the colder climate demanded more meat; conditions, in fact, varied probably more than one can indicate in such a rapid survey; and the above general description is mainly true of Italy, southern Germany and southern Gaul. The further away one goes from Rome, the more primitive are the habits and the less is civilisation touched by the city.

Generally speaking, it may be said that the Roman countryside was quietly prosperous in the days of the Empire. The landowners were partly Roman emigrants and veterans, and their descendants, partly representatives of the old local aristocracy. Civilised life was largely created by the military occupation, and lasted as long as the occupation was real and protection effective.

§ 3. THE ROMAN TOWNS

IMPORTANCE OF ROMAN CITY LIFE.—Although tillers of the soil remained an enormous majority of the European population right through Roman days, the outstanding feature of Roman economic and social life was the town. Rural conditions, after all, change very little, and do not usually form the real measure of material civilisation: it is in its town life that this really expresses itself. 'Cities tell their story; the countryside is silent.'

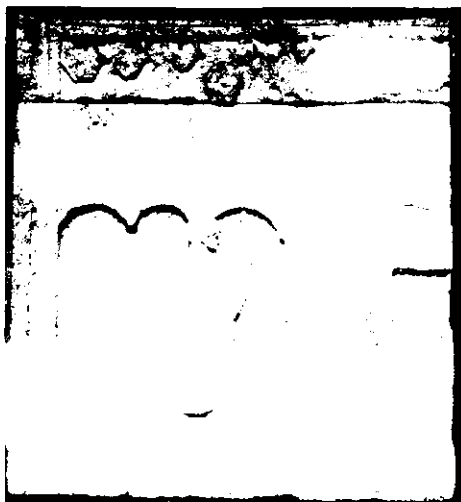
The distinctiveness of Roman life is then to be found in its towns. Over 500 cities were built in Asia Minor, and 150 between the Rhine and the Neckar. In North Africa there were no fewer than 297 episcopal cities in the fourth century. So much of them remains that we are fortunately able to get a very good idea of their main features. Everything, in fact, centred round them—each rural area was attached to a town, and the very term 'city' really included the rural area dependent upon it. The 'Empire' was really, as Rostovtzeff points out, an authority superimposed on a federation of cities. These formed the framework on which the administrative system was built; they supplied the staff which worked the machine—the younger men in minor posts, the older in councils and on the magistrates' bench—all trained by their membership of the municipal clubs which ran local affairs. The early emperors, in fact, did not try to establish a uniform system of government; they merely removed the conquered kings and their courts, substituting a governor and a few controlling officials, leaving to local institutions the work of daily administration. Professor

Ferrero thinks that in the days of Tiberius there were not more than 2000 people employed in the Imperial civil service. Bureaucratisation and centralisation came later, and proved disastrous.

A Roman town in Imperial days resembled more a modern Western town than a mediaeval Western or a modern Eastern city. Broad, well-paved streets, many of them at right angles, splendid public buildings—temples, baths, markets, law courts and administrative offices, clubs, handsome private houses, and blocks of apartments in the poorer quarters, amphitheatres, an excellent water supply, good drainage (the Roman Imperial drainage was still in use in Rome until recently), all these had little in common with the narrow, twisting, muddy lanes of a mediaeval London, or with the covered bazaars of Damascus or Baghdad. At the same time, however, we must remember that both literature and ruins speak more of the better built, more attractive wealthy quarters; there were in Roman towns many square miles of slums, overcrowded, insanitary, perpetually destroyed by fires, decimated by pestilence and made unsafe by crime.

CITIES AND TRADING CENTRES.—Trade was naturally the dominant concern of the Roman town. Much of it consisted of selling goods made in the town for local consumption, or country produce from the neighbouring villages; the handicraftsmen, selling in their shops the produce of their own labour, were typical of Roman industry; many of these, bakers, potters, tanners, amassed considerable fortunes and could be elected to municipal office. Every household wove its own cloth, and every city had its brickyard and its fullers and dyers, its shoemakers and metal workers. But much manufacture took place on a large scale, necessitating the employment of hired workmen. Among such industries were either the making of cheap standardised goods, which it paid to produce in large quantities and to export, or specialised crafts, such as silverware and bronze vases: the bronze work of C. Cippius Polybius has been found in Switzerland, Pomerania and England, as well as Italy; another manufacturer, Cornelius, employed forty designers, and the pottery works of Arretium in Gaul had many branches. Glassware was almost a monopoly of Sidon because of the quality of its sand; some forms of expensive dyeing, certain kinds of special luxury foods, such as fish-sauces, and a special brand of sausages made in Asia Minor, all these are to be found all over the Mediterranean basin; we know from the poet Ausonius that his grandson, living in Bordeaux, got his tennis-balls from Rome.

Retail shops seem to have been mostly of three kinds—that of the free artisan selling goods either of his own manufacture or imported, possibly with the help of a slave or two ; that of the freedman or slave, established with loaned capital for which he paid interest or a share in the profits ; and that of the man of means, worked on his behalf by a manager to whom he paid a commission on sales.



RETAIL TRADERS AND THE TRANSPORT OF WINE
From Rostovtzeff's *Social and Economic History of the Roman Empire*.
(Oxford University Press.)

§ 4. THE COMMERCE OF THE EMPIRE

IMPORTS AND EXPORTS.—The carrying of those manufactures all over the Empire involved a brisk foreign trade, to which must be added the buying of certain wares only to be found in certain distant lands—Rome had, in fact, an enormous import trade. In his ‘History of the World’s Shipping Industry,’ Mr. Fayle gives an interesting list of imports into Rome. This list indicates what he calls the ‘Index to the Roman Trade Register’ for a typical year. It is as follows :

Egypt.—Corn, dates, beans, papyrus, porphyry, granite and building stone, soda, alum for dyeing and tanning, flax, linen and clothing, glassware, gold and iron (from Ethiopia) ; ivory (from the centre of Africa) ; copper (from Sinai) ; gems and spices (from Arabia) ; re-exports of Indian products, such as perfumes, spices, pepper, drugs, gems, pearls, ivory, silk, cotton, muslins, hides, teak. (Some of these Eastern products came from China : Canton had a brisk trade with Rome in the fourth century, exporting silks and spices and receiving glass, dye-stuffs, drugs, and jewels.)

Syria.—Limestone and basalt for road-making ; timber, fresh and dried fruits, wine, silk, linen, dyes, glassware.

Asia Minor.—Olive oil, wine, truffles, fish, medicinal herbs, dried fruits, wax, resins, flax, sulphide of lead, arsenic, red lead, mica, marble, whetstones, goat’s hair, garments, tents.

Greece.—Olive oil, wine, honey, stones, marble, pottery.

Africa.—Corn, fruit, olive oil, truffles, fish, cucumbers, pickles, ebony, citrus wood, marble, mica, leather, furs, wild animals for games, slaves.

Mauretania.—Ebony, citrus wood, purple dyes, woollen goods, big game and wild animals, lamps, hunting dogs.

Spain.—Gold, silver, lead, iron, copper, fish, pickles, oil sauces, honey, wine, fruit, flax, esparto grass, wool, cloth, nuts.

Gaul.—Corn, oil, iron, woollen goods, pottery, glassware.

Britain.—Iron, tin, lead, hides, fleeces, oysters, geese, hunting dogs.

This list indicates with great vividness the enormous scope of Roman Imperial trade. How complete was the economic unity of this huge area is shown, among many other details, by the fact that Laodicea, one of the centres of Oriental textiles, found it worth while manufacturing an imitation of a certain fine linen cloth made by the Nervii, a Gallic people inhabiting what we would now call Flanders.

Among these provinces Gaul, Syria and Egypt call for special mention. Gaul, like modern France, had an amazing variety of climates and natural resources, which inevitably made her wealthy and important as soon as those resources began to be adequately developed, and she had the advantage of easy access



SILVER DISH FOUND AT LAMPSACOS. INDIAN DESIGN
BY GREEK WORKER

From Warmington's *Commerce between the Roman Empire and India*.
(Cambridge University Press.)

to Italy both by sea and land. Syria had an exceptionally large number of flourishing cities: Mommsen declares that along the Orontes valley still stood the ruins of nearly a hundred cities; extensive remains of what were once thriving Greco-Roman cities with large amphitheatres, extensive forums, imposing public buildings, now to be found in partly or wholly deserted regions, showing an economic life of which modern Syrian commerce is but a faint shadow. Syria was also the great

transit area for all goods from the East. Lastly, Egypt remained to the end not only a country of busy industry, particularly paper, linen and glass, but the centre of the Roman food supply. The whole province, which was held as the emperor's particular property, was specially administered for the purpose, the grain being all requisitioned and taken down to Alexandria by special caravans, and carried thence to Italy in specially constructed ships, to be stored on arrival in the Imperial warehouses for sale or free distribution.

COMMUNICATIONS IN THE EMPIRE.—All this trade depended on the establishment of reliable communications and regular routes ; these were also needed by the large number of people who travelled on business—merchants, officials, and their retinues, army reliefs—as well as by an extensive tourist traffic to Greece and Egypt. It is scarcely necessary to say much of the excellence of the Roman road—straight, broad, paved. The extent of the system can be realised when one remembers that 13,000 miles of roads were built in Gaul, a thousand miles in Sicily, and many thousands in other provinces. Each of these highways was administered by a special inspector or curator ; and, with regular relays of post-horses and carriages in which it was possible both to work and to sleep, travel was swift and comfortable, while it was made safe by an admirable police system.

Communications by sea were also frequent and regular, though only in the fine season which extended from March to mid-November. The Empire had excellent harbours, with miles of broad quays and warehouses, and lighthouses in the most important, such as Alexandria, Ostia, Dover and Boulogne. From southern Italy to Egypt was a matter of eight days or more ; to reach upper Egypt took some twenty to twenty-five days ; it took five weeks for the official mail to reach Cilicia from Rome via Brindisi, Athens and Smyrna. Titus took fourteen days to go by land from Egypt to Syria. Westwards, from Italy to Spain was a week's travel. The Apostle Paul's journey from Syria to Rome shows, however, the difficulty of travelling outside the fine season : his centurion tried to get home on one of the big Alexandrian corn-ships, but it was just too late, and reluctance to tarry till the winter was over meant shipwreck.

The average speed of a Roman ship seems to have been about 15 to 20 miles a day. Compasses being unknown, the coast had to be followed whenever possible. Ships were small and most uncomfortable ; the Alexandrian corn-ships with their 500 to 600 tons and carrying some 300 people were the exception. Of Atlantic traffic there was practically none ; the weather was too

unreliable and most boats too small, while the few ships that were big enough were too bulky for their masts and could not stand really rough weather. The shipping trade seems to have been largely in the hands of Greeks; shipowners, distinct from ship crews, were organised in gilds for each port. The chartering of ships by merchants for the carrying of particular cargoes was the usual practice, charter-parties on modern lines being regularly used, with a fixed price for carrying the cargo, maximum delays for loading and unloading, and penalties for breach of contract.

The Eastern trade used several routes, either through northern Syria, across the desert, by the camel caravan routes that were used by the Arabs until railway and motor car revolutionised desert travel; or by ship from the Egyptian coast of the Red Sea to the Persian Gulf and thence to India; or from the Palestinian ports by caravan to Petra, and thence by sea. One wonders, by the way, why, with so elaborate a system of communications, the Romans should never have thought of creating an Imperial postal service.

LIMITATIONS OF ROMAN TRADE.—The widespread character of Roman trade must not, however, lead us to exaggerated views as to the place of commerce in Imperial Rome. Commerce had always so many obstacles to face that it was bound to be always in a subordinate position. There could be no trade in perishable goods because there was no quick transport and no methods of artificial preservation; there were no patents to protect inventors, no labour-saving devices because of the cheapness of labour. Mechanical progress was slow; it is curious, for instance, that the Romans did not invent printing, considering that they used movable metal letters to stamp metal work, pottery, water-pipes, etc. Trade also suffered from lack of social prestige. This was due to the survival of the old Greek view that trade, industry and commerce were dishonourable occupations which debarred from active citizenship; the result was a tendency for such pursuits to be restricted either to foreigners, mainly Orientals, or to freedmen, two classes whom the Romans despised. It is, in fact, amazing how many callings now honoured were rejected by anyone having any pretence to be called a gentleman. Cicero enumerates the following as unworthy of a citizen: 'tax-gatherers and money-lenders; hired labourers and all paid for mere physical exertion, not skill; small retailers because they must lie; mechanics because there is nothing respectable about a workshop; all engaged in trades ministering to sensual pleasures, such as butchers, cooks, poulterers, fishmongers, perfumers, ballet-dancers, acrobats.' Medicine and education (usually carried on by

slaves in wealthy households) are allowable to ordinary free citizens but not to senators or knights. Commerce on a small scale is vulgar, but a big importing business, or manufacturing on a large scale without fraud need not be discreditable. But nothing is as essentially right as agriculture.

This attitude of Cicero's is closely bound up with the social problem of what Roman writers were so fond of denouncing as the 'corruption' of Roman society, particularly in its craving for 'luxuries.' Instead of allowing ourselves to be carried away by the scornful abuses of Tacitus and Juvenal, we should first realise that, judged by modern ideas, the standard of living in Rome was very low. Professor Ferrero, to whom we are indebted for this argument, points out that even 'palaces' were what we should call unimposing buildings; that 'banquets' were given in comparatively small, ill-lit rooms; that the number of drinks they had to select from was not large, and that the limitations which Augustus endeavoured to place on the amounts spent on entertainment show what would be considered to-day quite moderate resources.

This policy of luxury-checking may be ethically defended by those who believe in a simple life, and it was doubtless true that money was squandered which should have been devoted to more necessary purposes: Tiberius denounced the purchasing of Eastern goods on the ground that 'money went to India when Rome was in want of precious metals to carry on administration: it meant giving up the defence of the frontiers.' But economically all this was short-sighted in many ways. Rising standards of life are not in themselves evidence of corruption, but rather of progress: an extensive foreign trade was not a weakening but a strengthening of the Empire, the real basis of which was precisely the economic prosperity ensured by the exploitation of all its natural resources, and the easy exchanging of them all over the Empire. Finally, contempt for material things and ignorance of the part they played in civilisation led to contempt for those who were engaged in supplying them.

ABSENCE OF ECONOMIC POLICY.—This contempt for commerce and men of commerce had disastrous results. No one with lofty ambitions or aims would engage in it; the commercial bourgeoisie had to leave politics to the senatorial class, with the result that Rome never had a coherent economic policy. Occasionally an enlightened emperor carried through some far-seeing scheme, but usually problems of food and other necessities were totally ignored by the government. This, of course, did not prevent financial interests from exercising pressure, but this pressure.

instead of being acknowledged and either accepted, if legitimate, or resisted, if detrimental, had to remain occult, and was inevitably of the wrong kind ; senators in debt would grant contracts or authorise socially wasteful expenditure in order to secure bribes or to satisfy their creditors out of public funds.

There was thus an almost complete divorce between economic interests and governmental circles. Farmers were so geographically separated from each other that their interests failed to coincide, and when they did coincide combined action was practically impossible ; the labouring classes had no way, short of revolt, of making their wants known ; industrialists were weak and unorganised. As a result, no real attempt was made to deal with the huge problem of an increasing urban population dependent on imported food and on trade. *Panem et circenses*, free meals and entertainments, were sufficient for the day. Money was sunk in public buildings ; bullion was accumulated by the State ; agricultural improvements were neglected, capital was squandered and no attempt was made to look to the future.

The same improvidence appears in the system of taxation. Taxes are necessary in all civilised communities, but they are also invariably unpopular, and this must be remembered before we judge of the validity of the perpetual complaints about excessive taxation. These came especially from the provinces, where Roman taxation, effective but harsh, often replaced a thoroughly capricious and tyrannical squeezing of the people by irresponsible despots. Nevertheless, taxation was heavy ; it had to be so, since all expenditure had to be met immediately, there being no system of long-time loans by which the burden of payment could be shifted on to the next generation. The tax on land was the chief source of revenue, but there were elaborate customs duties (for revenue, not for protection) at the entrance of each province, a special tax of 25 per cent. on imported luxuries from the East, a personal tax on occupations (practically a trading licence), a tax of 2 to 4 per cent. on the sale of slaves, a legacy duty if property did not pass on to near relatives, a tax on bachelors, etc. None of these was unfair in itself, but together they hampered trade and industry : the method of collection by tax-farming companies was wasteful and expensive, and the system was imposed for immediate revenue without any real consideration as to ultimate incidence and possible effects on wealth or general policy.

HOW FORTUNES COULD BE MADE IN ROME.—It follows from this survey of industry and its relation to the general life of Rome that the large fortunes of which we read were not usually

made through commerce. The oft-quoted Trimalchio, hero of Petronius's poem, who made money 'by buying cheap and selling dear, built ships and loaded them with wine, pork, beans, perfumes and slaves, and cleared a round ten million at one trip'—this type of money-maker was probably the exception, at least in the upper ranks of society: there may have been many parvenus of the Trimalchio type, lordling it in the 'lower middle classes' of the big towns. Money was made more usually in the pickings of office, the farming of taxes, lending at high rates, contracting for State supplies and public works. Much of this gain was made in the provinces, which were for a long time the geese that laid the golden eggs for Roman financiers. 'Believe me,' exclaimed Cicero, 'the whole system of credit which is carried on here in Rome is inextricably bound up with the revenues of the Asiatic provinces. If these revenues were destroyed, our whole system of credit would come down with a crash.' The spoiling of the provinces went on apace, however: a governor was expected to make a fortune in his first year; in the second, to make enough to reward his friends; and in the third enough to buy off his accusers and bribe his judges. Cicero, an honest man for his day, made £50,000 in one year out of a comparatively poor province. So abuses went on unchecked; conscientious administrators were hampered at every turn, and the exploitation of the provinces proved a big factor in the ultimate collapse of the system.

But while money was made in financial transactions, most fortunes were really based on land. Probably over 90 per cent. of Roman wealth was ultimately invested in land, whether farms, mines, or building land. The constant acquisition of new territories turned men and capital away from commerce and industry to fields more congenial; hence Rome's limited economic interests and short-sighted economic policy. There were few, if any, of what would be now called 'capitalists'; there were many wealthy men, of course, but not men whose fortunes were made either by large-scale industry, or by large-scale buying in the hope of selling later with a big profit, or by the investment of large sums in commercial or industrial undertakings or in State funds. There are few signs in Rome of the essential functions of later capitalism: the invention of new industrial processes, the building up of huge reserves, the planning for a distant future, the struggle for markets, an ever-increasing demand for goods coming from an ever-increasing population, an accumulation of precious metals, easy and cheap transportation for bulky or perishable goods, an elaborate system of banking and credit, a large supply of legally free labour.

'Even granted,' says Professor Sée, 'the appearance in a few big cities of some of these phenomena, the mass of the Empire was never dominated by them. Landed property remained the only solidly established form of wealth.'¹

§ 5. SOCIAL CONDITIONS

POPULATION AND COST OF LIVING.—Both wages and cost of living remained low; one could live on about eightpence to tenpence a day, and this seems to have been a broadly average wage for a moderately skilled workman. A teacher of reading or gymnastics would be paid some three shillings, a grammarian six, a rhetorician nine or ten. Beef and cheese cost about threepence a pound, a pint of wine a halfpenny, a dozen eggs threepence, a pair of shoes two shillings, enough wool for two tunics the same.² On the whole food was dear in comparison with manufactured articles, in spite of the lowness of agricultural wages. Rents were low: £300 was considered extravagant for a house on the Palatine, and a shilling a week would house an average poor family. Add to this free baths, free entertainments, free club-houses, and it would seem that sheer destitution was comparatively rare, though poverty was of course widespread. The 200,000 who received free food were not necessarily unemployed or destitute: they qualified for relief by the lowness of their wages, as in England under the Poor Law Act of 1782.

This figure of 200,000 on the free food list raises the question of the population of the city and the Empire. Beloch, a conservative statistician, estimates the former at about one million in the first century A.D. (570,000 free citizens, 280,000 slaves, 20,000 soldiers), but thinks it had doubled by the time of Marcus Aurelius, after which it probably declined.³ The same writer estimates the population of the Empire in Europe at 23 million (Italy 6, Spain 6, Gaul 5, Sicily and Sardinia 1, Danubian lands 5), and outside Europe at 31 million (Asia Minor and Syria 19, Egypt 5, North Africa 6½, Cyprus ½)—a total of 54 million. But Merivale gives 40 million for Europe and 45 million for outside; the smaller total seems more probable.

There was little illiteracy. It is clear that a crude elementary education was widespread. That it was widespread is shown by

¹ See also Salvioli's *Le Capitalisme dans le monde antique*.

² Diocletian attempted to fix prices by an edict of A.D. 301. In his elaborate list he distinguishes 17 kinds of cereals, 18 of wine, 48 of meat, 12 of fish, 96 of vegetables, and includes hair-cutting, carpets, carriages, travel outfits, etc. The edict is analysed in a useful article in the *Encyclopædia Britannica* (13th Edition).

³ We know that about A.D. 300 Rome had 254 registered bakers and over two thousand sellers of oil.

the very large number of inscriptions that were meant to be read by the common people ; that it was crude, by the poor spelling and grammar. Not only so, but it is evident that classical literature was widely known : a game dealer's sign quotes the *Aeneid*, and numerous scribbled extracts from the poets are to be found on the walls of Pompeii. Even without the printing press books were cheap ; a finely bound copy of Martial's epigrams could be bought for a few pence.

SOCIAL CLASSES IN IMPERIAL ROME.—In spite of a theoretical legal and civil equality, the enormous inequalities of property created great class differences. At the top we find the governing circles, wealthy senators nominally selected by the emperor but to all practical purposes a self-recruited class, and the large class of knights, forming the body of officials and minor landowners, many of them former officers, the intellectual *élite* and in many ways the backbone of the system. Outside government circles, but in near contact with them, came the city bourgeoisie, wealthy, but often poorly educated, many of them of slave descent, often despised by the aristocracy, yet economically indispensable to them. But there is little doubt that the exclusion of this middle class from public affairs was a great weakness, since it was forced to interfere in politics by secret channels, which led inevitably to corruption. Then came the petty bourgeoisie, shopkeepers, skilled artisans, salaried clerks and minor officials, with a few representatives of what we should call the liberal professions, such as doctors, many of whom were municipal officials.

But the mass of city dwellers were either members of the urban proletariat or slaves. It is difficult to estimate proportions. Professor Frank puts down free workers at from one-fifth to one-sixth of the total working class, adding that there was a constant tendency for the poor free stock to emigrate to the colonies or to the more remote countryside, owing to the pressure of slave competition. There were at any rate many thousands of freemen engaged in every kind of manual occupation, even the lowest, poorly paid, living in huge tenements, restless, often on the verge of starvation, the terror of the authorities, who sought to placate them by the free food and entertainments already alluded to. Most of these workers seem to have been organised in a multiplicity of guilds and associations, very often representing a very complex division of labour. Heavy cloth weavers, wine sellers, clock makers, wine-skin makers, carpenters, timber sellers, all had their own guild ; and widespread industries such as shoemakers, textile and metal workers, were divided into a number of separate organisations according to their

specialities, while the gilds of river boatmen remained one of the most powerful of Roman corporations, probably continuing its distinct existence right into the Middle Ages. These gilds did not have easy beginnings, owing to the intense suspicion with which the government looked upon any attempt at organisation among the workers, fearing such groups would become centres of political intrigue or rioting. Trajan forbade a gild of firemen in Nicomedia, because Bithynia was always 'a prey for factions,' as witness the riot caused in Ephesus by the silver-smiths at the time of St. Paul's visit. But, in spite of opposition and of petty restrictions, gilds grew in number, and were directly encouraged by Marcus Aurelius and the later emperors. They became gradually entrusted with responsibility for local affairs, such as the collecting of taxes among their members, and the carrying out of certain public services. Far from proving subversive in their activities, the gilds became so useful to the authorities that in many trades membership of the gild was made compulsory and even became hereditary; by the fourth century practically all trade was in the hands of rigidly organised bodies; they differed from mediaeval gilds, however, by the fact that they did not attempt to control the actual conditions of production; but just as the agricultural worker was becoming bound to the land, so did the free artisan become bound to and by the gild.

PROBLEM OF SLAVERY.—Finally came the slaves, the economic basis of the whole system. Generally speaking, it may be said that slaves were used for all occupations where one had to be at the beck and call of an employer, or to act as a personal servant. Consequently they were chiefly to be found in rich families and were almost in the nature of a luxury—personal attendants, coachmen and grooms, gardeners, scribes, barbers, children's tutors and even teachers of dancing and elementary subjects. An ordinary untrained slave might cost about £20, a trained servant twice as much or more; the price of one with special accomplishments might run into hundreds. The lot of a Roman slave in a town was in many ways not unhappy: he was assured of the necessities of life; he was worth money to his master and therefore had to be kept fit; he was much less likely to be sold than in nineteenth-century America; he might, without excessive difficulty, acquire his freedom out of his savings—gifts, tips, petty personal transactions—and often obtained it in his master's will. The chief economic weakness of city slavery was its degradation of the dignity of work, its wastefulness, its competition with poor free labourers, with the inevitable reduction of the latter's standards of life, causing a steady migration of free workers away

from the big towns. But if urban slavery seems to have been tolerable, the same cannot be said of slavery on the big country estates and on the mines and other public works, such as road-making, dock-building, etc. There is abundant evidence to show that work on slave labour gangs was in many cases worse than death, as well as being appallingly wasteful.

The absence of any real freedom in any class of society was, in fact, one of the essential root evils of Roman life. Quasi-slavery was general, though only the lowest in the social scale were legally unfree. The great landlords and major officials were practically the slaves of the emperors, whose whims had to be obeyed; the minor officials might be local despots but were also the slaves of their superiors; artisans and craftsmen were masters in their guilds and workshops, but really in bondage both to local officials and to the guild itself. The only really free class was in fact the army, for, while soldiers might be the slaves of their officers, the army itself was the ultimate master of the system and made and unmade emperors.

The earlier Empire had been built by Augustus and the Antonines on a strong city middle class which displaced the old aristocracy, and on a rapidly expanding trade and commerce. But this middle class did not prove strong enough to support the fabric of a world state, and yet would not open its ranks to lower orders, whether peasants or city proletariat. There was a growing antagonism between town and country, and the great risings of the third century A.D. ended the middle-class Empire, substituting for it a semi-Oriental despotism based on the army, a strong bureaucracy and the passive mass of peasants. The political and economic importance of cities rapidly declined; the municipal bourgeoisie developed an increasingly parochial outlook, and the Empire became more and more politically and economically centralised, with a marked return to primitive forms of agricultural and industrial production.

GROWING INSTABILITY OF THE IMPERIAL SYSTEM.—All this was conducive to a social and political instability which inevitably led to a state of disorder in which Rome's economic prosperity perished. The Empire was growing too big, problems of administration were getting beyond the capacity of the civil service. Too much reliance had to be placed on an army that was increasingly out of touch with normal life, especially with the urban civilisation which set the tone and controlled the whole system. Both army and peasantry were jealous of the governing classes and yet had no idea of any alternative system. In many ways the absence of an economic policy to which we alluded

earlier was symptomatic of the absence of any clear aim of general policy. The maintenance of the Empire as a system had become an end in itself, irrespective of the welfare of the people who made up the Empire. 'The task of the emperor,' says Rostovtzeff, 'was to hold the Empire together by force, so as to keep intact the taxing machine which enabled it to pay for that force—a vicious circle which only some disaster or inner inertia could break.' And by the third century the vitality of the Empire was diminishing. It is striking that 'after Tacitus and Juvenal there is no poem or essay of even fifth-rate quality, no original work in criticism or philosophy. . . . There is no instance in history of such mental torpor continuing through a long period of sound social and economic conditions.' There was no economic exhaustion in the ordinary sense of the term, if we mean by that exhaustion of the soil or decay in productive activity: the price-fixing of Diocletian, already quoted, shows no evidence of scarcity. 'If anyone living to-day were to have a glimpse of Imperial Rome in the last stages of her decline, I doubt if he would have gathered the impression that the world was undergoing a great change. He would probably see the common folk living their private lives, enjoying their pleasures, enduring their troubles without forethought of anything important happening to the basis of the society in which they lived';¹ but after the civil wars of the third century the machinery of production and distribution was beginning to run down, commerce began to decay; debasement of currency was complicating all transactions; oppressive and wasteful taxation, made all the more burdensome by the steady appreciation of the gold in which all taxes were expressed, was squandering the resources of the community; self-reliance was not encouraged; free labour was being steadily depressed to serfdom.

The weaknesses which were to lead to an ultimate collapse were really due to the failure of civilisation based on the city to assimilate the masses of an ever-expanding Empire, to its inability to create for the world a continuous uninterrupted movement along the path of what we call 'progress.' It increasingly divided the people into the two classes of rulers and ruled, heaping privileges on the former, and failing to give the latter any share of government or to develop their sense of political responsibility.

The real failure of Rome thus lay in her lack of that vision without which people perish: however limited or dim that vision, there must be something beyond mere self-preservation in the aims and policy of a state. Some writers, among others Rostovtzeff, accuse Rome of an absolute lack of 'idealism,' and

¹ Price, *Economic Problems of Europe*, p. 13.

speak scathingly of the ways in which she 'taught her prosaic commercialism to all her provinces : her citizens served Mammon with more than usual consistency.' This is true, but only half true ; had Rome set out deliberately to make the material prosperity of *all her people* her chief aim, there is no saying how long the whole system might have endured. But this 'prosaic commercialism,' this 'serving of Mammon,' was limited to a restricted number, living on the services of servile classes, both free and unfree ; the whole civilisation, material as well as cultural, remained a class civilisation, not one for the masses. It was failure to understand the need for sharing through all the ranks of society the good things of this life—even if one is content with a comparatively low and material view of what those 'good things' are—that ate into the life of Rome. More, in fact, than lack of idealism was it lack of ideas, the lack of the necessary kind of intelligence, that really caused the collapse of one of the most intelligently conceived political structures that the world has known. In what ways this lack of intelligence manifested itself is pointed out with much acumen and clearness by Mr. Wells in his 'Outline of History' : lack of imagination, lack of inventiveness, the ignoring of technicians, easy satisfaction with the achievements of the past, lack of foresight or indeed of any preoccupation for the future. Rome could not even pursue intelligently the aims of conquest and material development. So the forces of decay were left to work themselves out, and the glory that was Rome perished.

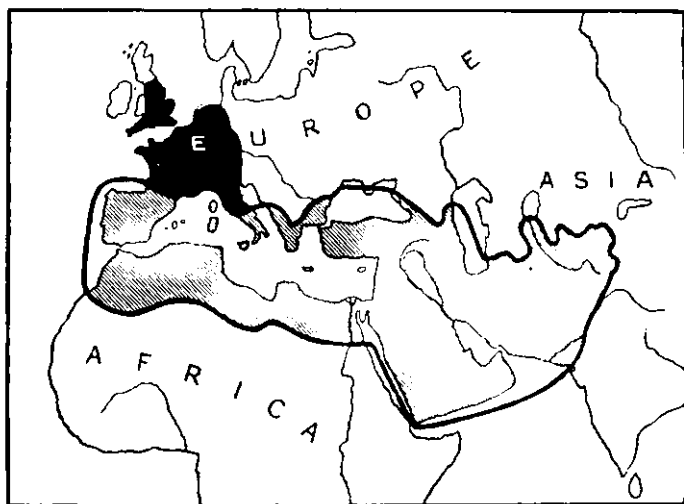
CHAPTER II

THE FEUDAL AGE

§ 1. THE COLLAPSE OF THE IMPERIAL SYSTEM

DISAPPEARANCE OF ROMAN CIVILISATION.—If a Roman citizen of the third century, a dweller in one of the most splendid cities of that period, had been miraculously enabled to revisit, some six centuries later, the site of his former dwelling, he would have found it hard to trust the evidence of his own senses. Gone are the well laid-out streets, the handsome buildings, the thousand amenities of a Roman town, and all the evidences of an active, bustling, prosperous life. His 'town,' if one dare call it by that name, is but an agglomeration of mean wooden buildings, in narrow, twisting, muddy lanes, unhygienic and dirty, occupying only a fraction of its former area. The people whom he meets are roughly clad, and speak a heavy-sounding jargon bearing little resemblance to the majestic and flexible Latin of Imperial days; the briefest inspection of even the most elaborate dwellings would show that the inhabitants had to be satisfied with the barest necessities of existence. Our Roman would find no traces of the world-wide commerce and of the complex economic organisation he once knew. As to the government, reference would be made to a 'lord,' residing at no great distance, to whom the city owed some kind of allegiance; and someone might allude to a distant 'king' to whom that lord might, at times, have to answer for his administration; but the suggestion of a general obedience to a law enforced beyond a few square miles would strike his hearers as a wild dream. And even then we have assumed too much in enabling a Roman visitor to find a town of any kind subsisting on the site of his former city. The chances are that what had been, about A.D. 300, an active town was in A.D. 900 waste land, with occasional earth-covered ruins. And if our visitor had been able to travel to any extent, he would soon have come to the conclusion that Roman urban civilisation and all it implied had perished in some terrible catastrophe.

A visitor from the Roman countryside, however, would not have experienced as heavy a shock as a townsman. If his home had been one of the numerous villas which formed, as we saw, the centre of Roman agricultural life, he might have recognised its general location and main features: a cluster of workers' cottages, a larger house, obviously belonging to the owner of the land, acres of arable and pasture land, a flowing stream and a mill-pond. He would indeed note many differences: the lord's



The area of substantially common Economic Institutions out of which modern European Economic Institutions grew.



Arab-Byzantine culture (maximum development).

ECONOMIC EUROPE. A.D. 1000

Adapted from Nussbaum's *History of the Economic Institutions of Modern Europe*. (F. S. Crofts & Co.)

house would be of wood, not of stone, the cottages of mud, less land would probably be under cultivation and more gone to waste. The splendid Roman road leading to the nearest town would have disappeared, and only narrow lanes left, making communications obviously slower and less safe. Could our visitor go into houses, he would notice that clothing was rougher, food coarser and less varied, and material life generally at a lower level; and, like his comrade from the town, he would conclude that something terrible had happened, but that this 'something,' while affecting life at every point, had dealt far more hardly with the towns than with the countryside.

THE BARBARIAN INVASIONS.—Every schoolboy knows the answer to the Roman's puzzle : the elaborate structure of the Roman Empire had collapsed before what are commonly called the Barbarian invasions. The Roman Empire had grown by the steady expansion of the frontiers of the little Roman city state ; but however further and further its bounds were set, the bounds were ultimately reached at which Roman civilisation and power stopped and beyond which lived the ' Barbarians ' ; the boundary was not always drawn with great exactness, frontier warfare was frequent and wide areas existed which formed a perpetual ' no man's land ' between the advanced Roman frontier posts and the further point beyond which the Barbarians felt it safe to go, but a clear line of demarcation did exist between them and the Roman power, and the maintenance of this barrier depended on the efficiency and loyalty of the civil administration and of the military garrisons. If soldier or civilian became slack or incompetent, the hostile wave would soon find the crack in the wall, letting through a trickle which, if not stemmed, would soon become a flood.

Now, in all governments there are two conditions to the efficiency and loyalty of subordinates, whether civilian or military, namely, strict supervision and regular pay : by the fourth century so many officials and soldiers were required that their recruiting was less careful ; the emperors became immersed in affairs nearer at hand and no longer kept so keen an eye on all more outlying parts of their dominions ; financial difficulties made money scarce and payment of salaries irregular. Further, a short-sighted economy had led to the adoption of the dangerous policy of enrolling as auxiliaries barbarians of the frontier areas, glad of a job, but obviously without loyalty to an organisation to which they were bound by the slightest of ties. Thus, the frontiers were no longer safe against serious danger from outside. If to this growing insecurity on its borders you add the decadence, both from internal and external causes, of the economic foundation of the Empire, it is easy to understand why the whole structure collapsed so easily before the invaders.

WHAT WERE THE ' INVASIONS ' ?—The familiar term ' invasion ' is in many ways misleading. The influx of Germans and Goths was at first a fairly peaceful immigration into safe Imperial territory of people who were being themselves pushed westwards and southwards by great migrations from the east and north. But it was by no means easy to find room for those immigrants, and peaceful penetration soon became forcible dispossession ; while the new-comers sought for a time to keep up Roman forms and systems, often using Roman titles and Roman insignia of rank on

the top of their native dress, they very soon found it impossible to keep up fictions, and by the fifth or sixth century the revolution was complete.

The invaders were not all 'barbarian' in the literal sense of the word. They had a definite civilisation, based on a keen sense of individual responsibility, with a well-established system of law. But their civilisation was that of small fighting tribes; it knew nothing of complex organisations, whether political or economic; as long as simple essential needs were met, it cared little for town life or commerce. 'To the Germans cities were tombs where everything is buried alive,' said Tacitus; their agriculture was primitive, and it is not unjust to say that they had developed no features of civilisation of peculiar significance before coming into contact with Rome, and had no element of culture not common to all important Aryan groups at the same stage.

COLLAPSE OF THE TOWNS.—The disappearance of town life is therefore the first of the economic results of the invasions; many towns were completely destroyed in warfare and the inhabitants either killed or made the servants of the invaders; in many cases the towns first decayed and perished because the conditions of healthy town life no longer existed. The general lowering of the standard of living and the general impoverishment of hitherto wealthy districts killed trade; roads and bridges fell into disrepair; seaports, deprived of commerce, became deserted; cargoless ships rotted at anchor; shipbuilders were ruined. With trade went the town life upon which it was built, and with town life all the aspects of civilisation which had made that very term derive from 'city': art, science, highly skilled handicraft.

CHANGES IN THE COUNTRYSIDE.—In the countryside the results of the invasions, serious as they were, were not so drastic. After all, even invaders must eat, and cultivation of the soil must continue somehow. Consequently, although many villages were burnt, country houses destroyed, and peasants killed, so that hitherto fruitful land fell into decay, the effects of the invasions were chiefly felt in the methods and organisation of agricultural life.

There were, of course, great changes in the ownership of the soil. Nearly everywhere private estates as well as State lands were appropriated by the new-comers; the old owners were either reduced to quasi-slavery or became tenants on their former domains. In this respect, however, the invasions only caused an acceleration in the process already at work in the later Empire, by which the ownership of the land was passing into the hands of a small number of people whose main occupation was administrative or military, while the agricultural work was done by men

who were becoming tied to the soil—that is, who had lost the economic freedom of changing either the character or the location of their employment.

It is easy to see how this takes place : if bad times come, tenants can no longer pay rents and the landlord demands, instead, a share in the produce, or some kind of personal labour ; and once the worker is bound by this kind of service, he will find it difficult to get hold of some other tenant on whom to shift his burden, while his lord will not allow him to move as long as no successor is available. Besides, where could he go ? All he could do would be to join the army of migrants from an impoverished countryside to a town already full of unemployed. The invasions, therefore, greatly hastened but did not directly bring about the decline of agriculture and the degradation of the peasantry : the primary cause was the general economic failure of the Imperial system. Thus, in spite of many changes, the Roman villa of the third century remained the unit of agricultural life under the name of manor.

THE RISE OF FEUDALISM.—The invasions did alter, however, the position of the individual who, in Roman times, would have been owner of the villa. He ceased to be a landowner, and became himself a tenant owing a form of service. Like all departments of economic life, ownership requires security. Title-deeds to property may be excellent, but are of little avail when the disturbed conditions of the time leave one at the mercy of any invader ; and the practice appeared and rapidly developed by which the owner of a small domain placed himself under the protection of a more powerful lord ; he made over to him the nominal ownership of his land in exchange for this protection, and promised him in case of any conflict his personal services with as many retainers as he could equip. His overlord, himself afraid of possible danger, would do the same towards a yet still more powerful noble, who thus became the practical owner and virtual king of a large area of land held by the tenants under some form of 'vassalage,' *i.e.* tenancy in exchange for personal services, usually chiefly military.

This system, the starting point of Feudalism, was originally illegal, *i.e.* it was not recognised by the State and worked outside the legal system of land ownership. Theoretically, vassalage did not end the individual's obligations to king or emperor. But as central political authority decayed and danger from outside became more constant, vassalage rapidly grew into a far more real and enforceable obligation than obedience to a shadowy but too distant ruler.

Feudalism was thus born from 'the absence of any general

system of defence, and from the necessity for each locality to look for its own protection in the face of a constantly menacing danger.' Its survival into later centuries and its consolidation into what may be called a system was due to the persistence of the disturbed conditions which brought it into existence, and to the fact that it fitted in so well with the processes of conquest. Invading chieftains could not establish a centralised administration, and the handing over to their successful retainers of large areas of land, in which they were responsible for the keeping of order and the maintenance of elementary government, was an obvious device which harmonised with the already widely existing practice. As time went on, the nature of the duties owed by each class of vassal to its overlord and by the overlord to his ultimate lord or suzerain—call him duke, king, or emperor—became 'standardised,' fixed by a custom more unchangeable than man-made law; and we can then speak no longer of Feudalism or feudal tendencies, but of a 'Feudal System.' Feudalism may thus be defined as 'a crude and barbarous form of government in which political organisation is based on tenure of land—the public duties and obligations which a citizen owes to the state are turned into private and personal services which he owes to his lord in return for the land he has received from him. Under the pressure of a great public need, the breakdown of central authority, it developed into a great political organisation spreading all over the West and virtually supplanting the national government.'

§ 2. THE MANOR

On the economic side of Feudalism, we find that the manor, which was the centre of administration, was also the centre of economic life. It may be represented as the smallest group capable of survival in periods of insecurity and political anarchy.¹ It must be under one simple control for purposes of police and defence, and must be economically self-sufficing; it is, in fact, a group which can really manage its own affairs, and its survival in every country as villages or parishes of much the same size is evidence that it corresponds to something fundamental in rural life and organisation. The manor, or villa, was, in fact, constantly only a village of originally free farmers, gradually bought up little by little either by the wealthiest of them or by some outsider interested in landed property; when times become

¹ The manor is defined by Gras as 'a village community possessed by a lord on whose holdings of land villagers labour under the supervision of the lord's bailiff.'

difficult the remaining freemen commend themselves to his protection, granting him rights over their land in exchange for security, and the feudal system is here built up from the bottom upwards.

The student reading about the manor must thus visualise a small village of the size of so many thousands which are to be found in many countries to-day.¹ Its most striking feature is concentration. This concentration was material : the mediaeval village was not the straggling street of disseminated scattered houses so often to be met with now, but a tightly packed cluster of cottages, if not actually surrounded by a wall, at least near enough to the walls of the lord's domain to enable the whole population to seek a quick shelter therein. As time went on and political conditions became more secure, cottages might scatter a little more, but the mediaeval village always resembled an Eastern village in that its inhabitants lived close to each other in a centralised agglomeration and went out to their work in the outlying fields ; the modern isolated farmhouse of the West being too unsafe in times of such great insecurity.

THE MANORIAL HALL.—Materially concentrated in its village street, the village lived a life economically and administratively centred round the manorial hall. The 'hall' would be nothing grand to modern eyes ; it was probably built of wood and its main building was literally just a 'hall' or large entrance chamber, with sleeping-rooms opening out of it. This building probably formed one side of a kind of 'quadrangle' or court, the other sides being constituted by numerous outbuildings : barns, stables and sheds, owner's malt kilns and storehouses, with a number of ricks ; close by would be the private domain of the lord, his enclosed fields, kitchen-gardens, orchards and vineyard, quarters for his immediate dependants, and the mill-pond. Around it all a protecting wall.

All this would be very rough, glass windows and chimneys being still unknown or very rare. All the corn would be ground in the lord's mill, and his stores would supply all that the individual cottager did not himself produce : raw material such as seeds, timber, rope, tools, and instruments turned out by the manorial carpenter and at the manorial forge, or perhaps, in

¹ The normal manor in England was about 5 hides, *i.e.* about 600 acres, but many were bigger. St. Germain des Prés, whose 'lord' was a monastery, had 24,000 acres and nearly 3000 workers, apart from the monks. On the other hand, a single subdivision of the Duchy of Salzburg contained no fewer than 237 small estates, apart from 50 larger ones. As a rule the manor would have to be small, a mile or two being the maximum range of the ox-carts on which the mediaeval peasant depended for his work.

the later stages, bought by the lord at the neighbouring town or at the fair.¹

The hall would be in a very real sense the centre of village life. Here the villagers would bring their dues in kind; the accounts of what each had paid and still owed would be kept, the lord and his agent would hear grievances. Here, too, formal justice would be dealt. In the courts of the manor 'were paid fees for the permission to reside outside the manor, to send children to school, to enter minor orders, to apprentice a son to trade or to marry a daughter. Here were imposed fines for slovenly work at harvest; here crime was punished—offenders against life and property as well as poachers were mulcted; wrangling scolds and tavern hunters presented, idlers deprived of their holdings and, in the last resort, expelled from the manor. Here finally, on the sworn evidence of a body of jurors chosen from the tenants, were drawn up the surveys of the manor which recorded the exact condition of the estate: total acreage of demesne, the holding of free tenants with rents or services, of villeins, bordars and cottagers, the profit from fisheries and incidental manorial rights.'²

THE OPEN FIELD SYSTEM.—Scattered round the villages were the fields of which each villager, whatever his technical status, had a share. All over the northern half of Europe the open field system predominated. Its essential feature was that each villager held a bit of each of the main sections of land, or field, devoted to each of the main uses to which land was put according to the system of rotation which had for long been adopted in western Europe.³ To each household then was assigned in

¹ All the following are tools found in a feudal manor: ploughshare and coulter, goads, spades, shovels, mattocks, shears, rakes, forks, weeding hooks, barrows, harrows, scythes, sickles, flails, farmer's sieves, wood spits, hooks, axes, adzes, bills, hatchets, crowbars, saws, planes, chisels, awls, augurs, brooms, crocs, jacks, churns, troughs, cheese crates, beer butts, flasks, pots, filters, salt vats, chests, coffers, yeast boxes, soap boxes, kettles, bins, ladles, mixing shovels, dishes, goblets, candlesticks, lanterns, lamps, ladders and fire tongs.

² Prothero, *English Farming, Past and Present*, p. 19.

³ A typical cycle (from Gras, *History of Agriculture*):

Years	1	2	3	4	5
I	Pasture	Meadow	Oats	Wheat	Barley
II	Barley	Pasture	Meadow	Oats	Wheat
III	Wheat	Barley	Pasture	Meadow	Oats
IV	Oats	Wheat	Barley	Pasture	Meadow
V	Meadow	Oats	Wheat	Barley	Pasture

each field one or more strips, the average length of the strip being a furlong or furrow long—that is, the distance which a yoke of oxen could normally plough without stopping. The strip system grew into common use because of the need of each family for land of different kinds, which was obviously impossible if each were to hold a compact small piece of land. Finally, each village could have the right to graze so many cattle, sheep, pigs on the common pasture land.

Fields and pasture land would all be the legal property of the lord of the manor, though he would probably hold it all under condition of vassalage to some overlord, and apart from his enclosed private demesne he received the total produce of certain selected strips, worked for him by the villagers in exactly the same way as they worked the strips allotted to them in exchange for their services. The produce of other strips, also worked by the villagers, would go to the support of the village priest. Outside the fields and meadows, however, a good deal of land would be available for pasture or timber, which the village could claim as common land or collective property; and the usurpation of common land by the lord was one of the constant grievances of mediæval villagers.

A TYPICAL MANOR.—What did all this labour produce? According to our ideas, the general result was poor: methods were primitive, and no one had a sufficient interest in improving them and getting a better yield; the peasant only wanted enough to live on and pay his dues, and the landlord was satisfied as long as those dues kept him in sufficient supplies. The detailed instructions sent to his bailiffs by Charlemagne, who took an exceptionally intelligent interest in agricultural affairs, show what the yield of a typical manor would be.

They were to see that there were ample supplies of bacon, dried and salt meat, vinegar, wine, mustard, butter, beans, honey, wax, flour, wool, flax and dyeing materials; to keep at least a hundred hens, thirty geese, and an adequate number of beds, sheets and blankets, mattresses, pillows, tablecloths, copper vessels and necessary tools. An ample staff must be maintained of all essential artisans, such as blacksmiths, gold and silver workers, carpenters, soap-makers, brewers, bakers, net-makers. An exact list must be kept of all wolves killed, and their skins be sent up to the emperor. The gardens must be planted with lilies, roses, sage, cucumbers, melons, beans, pumpkins, peas, lettuces, aniseed, parsley, chickweed, mint, onions, poppies, beet-roots, cabbages, parsnips, sorrel, pear-trees, apple-trees, chestnut-trees, peach-trees, almond-trees, laurels, fig-trees, cherry-trees.

Finally, every Christmas an exact account must be sent of the number of oxen and game, of mills, of quarries, of colts, of hens, of bees, the extent of land under the plough, of meadow, the amount of stores of all foods, and the state of the personnel.¹

THE FOREST.—The self-containedness of the manor was helped by its geographical isolation. Sometimes indeed several manors, perhaps belonging to the same lord, might be immediately contiguous, but that would be the exception. Remembering how small was the total population of the country,² it is evident that most villages must have been several miles distant from their nearest neighbour—several miles, not of smiling countryside and good roads, but of what the Middle Ages called ‘forest.’ This forest might be literally woodland, but the term was generally applied to all uncultivated waste land for which no lord was effectively responsible. We know that in Alfred’s time about two-thirds of England were forest, probably about one-third by the time of the Conqueror; in France and Germany, always less densely populated, the areas of forest might be immense. The forest was the refuge of all outlaws, of all criminals fleeing from justice, of escaped serfs, and the reclamation of the forest was always an urgent task. Much of this was done by the monastic orders; many a lord gradually extended his domain over the neighbouring forest in order to make his communications safer and to increase his food supplies, and kings often encouraged the work of settlement by large grants of forest land to whomever would clear it. Particularly in the seventh and eighth centuries the Lombard kings of Italy, the Wessex kings in England, the Carolingians in France and Germany tried to settle migrant tribes on undeveloped land. Lower Languedoc was thus colonised by Gothic emigrants from Spain, Catalonia by Gauls, and large portions of Germany by migrants from the east and north. Thus, wide areas of forest land became settled and civilised which did not fit into the feudal or manorial system, and for which special legislation had to be passed.

But in spite of much pioneer work thousands of square miles remained as undeveloped forest, an obstacle to communications and a perpetual problem to governments. Large tracts of the West and North of England, which are now comparatively bare, were then but a mass of trees and scrub; great woods stretched as far as Sussex and Dorset, and even into the valley of the Thames, out of which, as late as the ninth century, wolves attacked the villages. The plains of Flanders and Champagne were, before the

¹ Carré, *Le Moyen Age*, p. 196.

² About five or six million in France, two and a half million in England.

eleventh century, great wild regions, stretching until they joined the great forests of the Ardennes. As late as the eleventh century missionaries told of journeying for days in German forests without meeting a human being.

THE PEOPLE OF THE MANOR : THE LORD.—Returning to the manor, we may now ask the question : What kinds of people lived within its organisation ?

The position of the lord of the manor is easy to define. He was a member of a fighting aristocracy ; if at the top of the scale he might owe allegiance to the king alone. Many manors were, in fact, direct royal property—either part of the king's original estates or obtained by inheritance, or by default of an heir, or by seizure following a failure to fulfil duties, treason, crime, etc. (William I of England had 1442 manors.) At the other end of the scale the lord might be a mere knight, holding one manor only from an overlord, who might himself be only of secondary rank. But high or low he was a member of a definite class, owing to his lord personal military service on horseback, with a number of retainers on foot, as well as certain essential civil duties, both financial and judicial. Of such small knights there were many thousands—nearly 8000 in England in 1088, 12,000 in Aquitaine and 40,000 in Germany under Frederick Barbarossa a century later. Economically, as Sombart observes, ' their characteristic was leisure. Not even the poorest of them—and some were very poor—would do other than "honourable" service, fighting or praying. Indeed, it may be said that leisure was the economic objective of the feudal landlord.'

THE SLAVES.—At the other end of the scale were slaves—the status of formal slavery did not disappear altogether from European rural life until about the fourteenth century. Slave markets and slave traders were still to be found ; wars and destitution kept the supply abundant and cheap, so that in the eighth century a female slave was only worth as much as three cows. Thus, many of the servants on the manor would be technically slaves. But by this time slavery had greatly changed from Roman times ; although deprived of legal personality, a mediæval slave was no longer a mere chattel : his life was guaranteed ; he could contract a legal marriage, acquire movable property, be admitted to the priesthood, and, as time went on and economic conditions improved, it became comparatively easy for him to purchase advancement to the status of villein or serf and often complete freedom. Legal emancipation, even without purchase, became very frequent ; many masters yielded

to the constant pressure of the Church, which held slavery to be a grievous wrong in a Christian society, and many realised that the hope of freedom was a powerful incentive to real hard work on a slave's part.

SERFS AND VILLEINS.—Thus, although slavery still existed, the bulk of the villagers would not be slaves but would hold land on some kind of 'unfree' tenure. By 'unfree' is meant that the holder was in some way tied to the land, was not free to move about to another manor and to exchange one lord for another. Unfree tenures varied in character ; but the variations amount to little, and two main types clearly emerge—the serf and the villein.

The serf was nearest to the slave, because his labour belonged to the lord, who could demand from him practically whatsoever he would ; he really had as much leisure and property as the lord would let him keep. He had no contract, and only a limited legal status ; he was as much part of the demesne as the livestock, was bequeathed, sold and exchanged with the land on which he lived. He could not marry outside the manor without special leave, for fear of his children passing out into the ownership of another lord. Finally, apart from the duties which a tyrannical master could impose on him, he had a number of specific obligations, special to his quasi-servile status, mainly in the shape of forced labour or 'corvées.' His person, his labour, and the produce of his labour all belonged, in theory, to the lord. In all but legal technicalities his social and economic, but not his personal and physical, status was indistinguishable from mild slavery.

The essential advantage of the villein over the serf was that his status was fixed by a definite contract which the lord dare not break. The terms of the contract were indeed hard in modern eyes : he owed a number of heavy dues, gifts in kind at certain times of the year, payments on special occasions, such as the marriage of the lord's daughter or the knighting of his eldest son, fees for the compulsory use of the manorial mills or wine-press, recognition of the lord's first claim to the best part of the produce, forced entertainment of the lord when travelling, tolls on the road, personal service in time of war. But all this was fixed, not arbitrary ; and the villein could and did exercise a number of political and administrative duties and minor functions, such as sitting on certain juries, joining in the search for criminals, giving evidence in property cases, etc. He could sometimes become rich by gradually acquiring more and more land to farm ; the marriage of rich villeins to ladies of gentle birth was frequent enough

in France to require special legislation. Even when comparatively poor he owned some animals : a calf, a pig or two, a few hens, formed the minimum dowry which the poorest villein would give to his daughter on her marriage. In normal times, hard work would keep him supplied with all the necessities of life. The trouble was, of course, that times were rarely 'normal'—bad weather would spoil crops ; famines were frequent (between 970 and 1100 no less than sixty years were years of scarcity in France) ; a fight between two neighbouring lords would reduce a whole countryside to misery for months ; epidemics were constant ; an unscrupulous lord could turn a villein into a virtual slave, contract or no contract.

FREE TENANTS.—Villeins represent by far the greater part of the mediaeval population, and consequently the bulk of the inhabitants of a manor, yet a certain amount of land would be held on a payment of rent by a class of tenant who can be described as 'free,' provided we are very careful in the use of the term. By 'free' we do not mean that they owned land which they could sell, but that they were free to dispose of the produce of their labour and owed no personal service which would be described as unfree. Some would be free cultivators who held on from old times to a land that had never been wholly taken from them, although its formal ownership had been transferred to some lord whose protection they or their ancestors had needed. Some were pioneers who had reclaimed a tract of forest and obtained a free grant from the king or some other lord of the forest. Some had been able to purchase their freedom from servile status. Lords often let out on long leases land which had accumulated to them by inheritance, by marriage, by default of vassals, by forfeiture, and which they were glad to get off their hands in exchange for a fixed rent. In fact, this preference for a fixed rent became increasingly marked as the need for money arose with the restoration of higher standards of living ; and wherever an unfree tenure fell vacant by the absence of natural heirs it became increasingly frequent to let it out on rent.

These so-called 'free tenants,' however, were never many in number in comparison with villeins and serfs,¹ and were in one sense outside the feudal system, in which the individual, high or low, is really bound to the land. In one sense there were no freemen in the Middle Ages. One is 'free' in respect of some form of coercion or law which binds others. But no mediaeval person was completely free in our meaning of the term. Except

¹ Domesday speaks of 200,000 villeins and cottars and 44,000 freemen. A typical Domesday manor had 36 villeins, 18 serfs, 10 slaves and 4 freemen.

the king, no landlord was free from the control of a feudal overlord or suzerain ; the king himself was not free from the authority of the Church, whose Head claimed the right to depose him and could place the whole country under interdict. But while everyone was more or less unfree, on the other hand, no one was permanently depressed by law to a low status ; even a slave could, at least in theory, become Pope. Besides, freedom was not what the mediaeval man principally sought : ' in those days of lawlessness and warfare, extensive freedom was a much less desirable element than it is now. What the Anglo-Saxon villein or slave wanted was protection and support rather than liberty, and though he paid for these by the burdens he bore, he was not thereby rendered miserable.' ¹

THE MEDIAEVAL PEASANT.—In one sense, however, the mediaeval agricultural worker was more free than many workers in later times ; as long as his labour produced what was needed, he was free as to his methods of work. No overseers were there to see that he laboured so many hours a day or tilled his field in a particular way. As Professor Forrest points out, there was no control by the lord of economic technique ; he was only concerned with results. The workers were in a sense free within the industry. But even here we must not exaggerate, and Professor Forrest himself insists upon the fact that within his group the individual was held by the most rigid system of customs, regulations, obligations of all kinds, which kept him both economically, socially and geographically fixed. In fact, the individual counted for very little. He was hemmed in by the very restricted area of the community in which he lived. ' No man could develop any initiative, no man could be alone, he could hardly have a secret. The village was his world, and rarely did he leave it, except to go to a market nearby. But all this is the point of view of the modern. The villager had no thought of these things. He was born to the village and for few were there any opportunities elsewhere.' ²

Technically free or serf or villein, the peasant's life was difficult and insecure. Famine, pestilence and war would ruin all alike, and everybody's standards of life would be coarse and rough. It was not a life likely to bring out the more refined virtues : theft, cheating, murder, assault, gross superstition ³ were the inevitable

¹ Andrews, *The Old English Manor*, p. 283.

² Gras, *Introduction to Economic History*, p. 85.

³ Witchcraft, enchanters, auguries from birds, sheep, dogs, lucky and unlucky days, sorceries in marriage, trade, fighting, offerings to stones, trees and wells, love potions, torturing with pins, sun and moon worship, fortune-telling—all these accompanied so-called Christian worship' (Andrews, p. 189).

features of a life so precarious that many sought in a variety of ways to escape from it. Some secured permission to try a living elsewhere, as peddlars, grigglers, mountebanks; many ran away and became the beggars and vagabonds of whom mediaeval chronicles are full, and for whom no punishment was too severe and cruel; some revolted, either in spasmodic local risings or in revolts carefully engineered through the numerous associations, brotherhoods, etc., which, though strictly forbidden, were never wholly suppressed. The study of serfdom is one long series of rebellions, from the peasant risings in Italy, Gaul, Flanders, Saxony of the eighth and ninth centuries, the French Jacqueries and the English peasant revolt of the fourteenth, the German peasants' war of the sixteenth century, to the last explosion of an oppressed peasantry, the agrarian risings which accompanied the French Revolution.

But in spite of all its grave drawbacks—confusion of classes, complication of tenures, wasteful and primitive methods, insecurity and hard toil—the manorial system had one important merit: 'it had its roots in the fundamental principle of mediaeval life, the equality of the shareholders in the common fields. . . . Agriculture was organised on principles of graduated dependence and collective responsibility; . . . it would be difficult to frame an organisation which, given the weaknesses of the law and the infancy of agriculture, was better calculated to effect the object of mutual help and protection.'¹

§ 3. THE CHURCH AND FEUDALISM

THE CHURCH AND THE PEASANT.—If the peasant's economic and political life was centred round the manor, his religious and social life was centred round the Church. The Church enjoyed, let it be remembered, a complete monopoly of religion which we can scarcely conceive of in our days of denominationalism,²—when almost every village has a number of rival churches or chapels. Not only did she supply the spiritual needs of man from cradle to grave, but she ministered to his social needs also. The

¹ Prothero, *English Farming*, p. 46.

² Some idea of this monopoly may still be found in certain districts—in Spain and Italy, or Scandinavia, or Syria and Iraq—where Catholicism, Protestantism and Islam hold a similar sway. But even there other religions are known by name and can be legally practised, whereas in the Middle Ages the idea of separation was unknown. Membership of the Church was practically co-extensive with civilised life. At the same time, many manors were too isolated to be supplied with church and priest. Bede complains, in a letter to Egbert, of 'many villages and hamlets located in inaccessible and wooded forest clearings where in the course of many years a priest or bishop has never been seen. In these places there is not only no priest to confirm the baptised, but no teacher to instruct people in the true faith and the discernment of good and evil' (Andrews, p. 284).

church was the mediaeval club, the mediaeval theatre, the rallying ground of the villagers not only on Sunday but on every holiday and on every occasion when the routine of daily toil was suspended if but for a few hours. The parish priest was not only a guide in matters spiritual but often the only person in the village with any pretence at learning, and often too the only person who dare stand between the lord and his dependants. Nor was the parish priest the only representative of the Church. Few manors were any very great distance from one of the many monasteries, whose importance in mediaeval life can be scarcely exaggerated. A full account of monasticism would be out of place here; it is enough to remind the reader of the fact that for centuries monasteries supplied practically the only system of education known to Europe; that the labour of monks in copying manuscripts went some way to meeting the lack of a printing system; that the monastery was both hospital and hotel, and the only agency for poor relief, some monasteries feeding thousands of people in times of famine.

THE CHURCH AS A LANDOWNER.—More important from our point of view is the place of the Church in local economic life. It must first be remembered that the Church was an important landowner; she held half the soil in Germany, especially in the Rhineland, and was easily the chief landowner in England, in Flanders, in Spain, in large parts of Italy and France. Many bishops ruled over dioceses that were practically small kingdoms—the Bishop of Florence held 200 castles, that of Bologna over 2000 manors, as did the abbey of Prim and Lorsch, and many abbey and monasteries extended over thousands of acres. Much of this land was held by monks, who represented a distinctly more educated and progressive type of agricultural worker than the ordinary peasant. They were responsible for much advance in reclaiming waste land, in draining marshes and swamps, and in making experiments and discoveries which raised the agricultural standards of whole districts. Generally speaking, Church property, especially monastic, was probably better developed than property belonging to laymen, and Church tenants so much the better off.¹ But the Church had also the reputation of being a severe landlord, 'not the most oppressive, but the most tenacious of its rights. Her immortal but soulless corporation, with her wealth of personal records, would yield no inch, infranchise no tenement, enfranchise no serf. In practice the secular lord was more humane because more human, because he was more careless, because he wanted ready money, because he would die.'

¹ This is denied by Professor Coulton in his *Mediaeval Village*.

The mediaeval Church, adds Professor Thompson, was 'a bundle of contradictions. It was charitable, but its own practices of economic exploitation often induced the poverty it was called upon to relieve, and it is questionable whether in proportion to its enormous resources the Church contributed as much as lay society to poor relief.'

THE CHURCH AND FEUDALISM.—Economically, the position of the Church in the feudal system raised difficult problems. As feudal tenants the clergy were expected to perform many functions, judicial and especially military, which were incompatible with their ecclesiastical character; lay overlords inevitably claimed the right to interfere with their clerical tenants, and when the king was the overlord it led to perpetual quarrels between him and his bishops, and ultimately with the Pope. More serious still was the financial problem, since the Church claimed for her lands immunities, which the lay lords were never willing to grant, from taxation and judicial control. Further, as an ecclesiastical permanent corporation, the Church never died and never inherited, and therefore never paid succession dues; a celibate clergy had no children to knight or to give in marriage, and never paid the 'reliefs' usual on such occasions; and the crimes of a priest or monk did not entail that forfeiting of property on which lords could count when the tenants were individually responsible for their misdeeds, and not members of a group. Overlords of Church lands also found it difficult to get adequate compensation for the military and other services which the Church owed but could not perform. On the other hand, it is worth noting that the Church paid heavily for those immunities: the kings used their position as feudal overlords to interfere in justice and finance, to force the Church to appear in their courts for matters which she considered to be of her own jurisdiction, and stopped appeals to Rome in any matters in which they were vitally interested, using any reluctance or refusal of the Church as an excuse for limiting her powers and seizing her property, and even, in England, for transferring the ultimate control from the Papacy to the Crown.

§ 4. TOWNS AND COMMERCE

WHAT IS A 'TOWN'?—Although feudal civilisation was overwhelmingly rural, the question arises nevertheless of the part played in it by towns and town life. The answer to this question depends somewhat on the meaning we attach to the word 'town.'

Is a town simply any agglomeration of houses that has become too big to be called a village, even if all its inhabitants are engaged in tilling the soil or looking after cattle? In that vague sense, of course, towns never wholly disappeared. There were always big villages, large communities clustering around some monastery or cathedral, some river ford, some fortress; many modern towns grew up that way. But it seems clearer to distinguish sharply between the town and the village, and to say that 'a town is not an outgrown village, but a unit with a definite and separate function.'¹

That function we may describe as the exchange of surplus goods. In other words, towns are indissolubly tied up with trade. Now commerce demands for its existence two essential conditions: there must be goods to exchange and the capacity to exchange them. Commerce could not exist on any real organised scale until the various local agricultural units in which Christendom was divided began to produce a surplus of the necessities of life, which they exchanged for similar surpluses produced by other communities; until that kind of exchange became general, the economic relations of men only existed in terms of the narrowest community life.

No less than surplus goods was a minimum of security of communications essential, and trade was therefore closely bound up with the re-establishment of political stability. Finally, there must be some banking and credit system, however simple, and a fairly stable currency.

DECAY OF TRADE.—The disappearance in the fifth and sixth centuries of all those essential conditions of a centralised economic life caused, therefore, a complete collapse of commerce and of the town life based on commerce; we must not expect to find any real town life until the restoration of those conditions which would once more make real organised trade possible. Commerce, of course, never wholly disappeared. Apart from the strictly local trade already described, there were always, as Professor Forrest says, 'a few feeble movements of commerce which served to prepare the way for a renewal of actual commercial intercourse.' But that trade was very limited—a few articles of luxury, such as silks, tapestries, jewels and precious stones brought in from the East by foreign merchants called Syrians, whatever their country of origin, some wine and oil from southern Europe and fruits from the north, with a few essentials such as salt and iron, which seemed to be always obtainable, however disturbed

¹ Williams, *History of Commerce*, p. 59.

the conditions. That was all : not enough to affect the economic life of Europe.

The same is true of the commerce engaged in by the Church, caused by the need for carrying relics, for the erection and the decoration of ecclesiastical buildings, for the organisation of pilgrimages. Important fairs occasionally sprang out of the latter, and the pilgrims themselves kept up constant communications between various parts of the Christian world that were too distant from each other for normal political relationships. Again, big monasteries and episcopal seats served as rallying points, gathering into one centre the returns of many manors for the support of the clergy and of the population that laboured for the maintenance and adornment of the cathedral. In those various ways ecclesiastical institutions contributed to commercial development. But while they prepared society for a revival of commercial activity by keeping up essential communications, they were not themselves engaged in commerce.

UNIMPORTANCE OF TOWNS.—The towns of which we hear in this period are therefore few in number, and small of population ; they do not account for more than one-tenth of the population in western Europe. London and Winchester numbered some 8000 inhabitants, and only along such natural highways as the Rhine, Scheldt, Meuse, Moselle, Danube, and Rhone rivers did somewhat larger centres of life grow. But even at their best those urban centres were scarcely more than large fortified villages ; they had no self-government, and ranked as part of the domain of some feudal lord, often a bishop or monastery ; their inhabitants still gave much of their time to agriculture, and were serfs or villeins in personal status, and the towns had no more amenities of life than the manorial village, perhaps even fewer. They belonged, in fact, to a rural and feudal economy.

The first indications of a change appear in the reign of Charlemagne, the culminating point of a series of attempts by various kings, such as Clovis and Dagobert in France, Theodoric in Italy, Egbert and Alfred in England, not only to strengthen political authority but to stimulate the economic life of the West. Agriculturally these rulers did much to save free landownerships ; they protected serfs, tried to settle more men on the land and to reclaim waste soil ; they helped commerce by making trade safer, and by granting merchants various advantages. Charlemagne built roads, planned canals, encouraged fairs, signed treaties of commerce with Offa of England, and was in relations with Harun-al-Rashid of Baghdad. He encouraged Jews and Eastern

traders, and endeavoured to establish within his realm a sound settled currency.¹ But much of this proved as ephemeral as the Empire itself. 'The imports were all luxuries paid for by the export of a slight agricultural surplus, and therefore the consumption of the masses could not become more diversified, nor was a real stimulus given to the development of European industries.' With the death of Charlemagne and the break-up of the Empire came a return to the disorders he had temporarily suppressed. 'The spread of Islam and the Danish invasions interfered with trade, and the ninth century was on the whole one of economic regression, with Europe weakened by separation from the Mediterranean commonwealth.'²

TOWNS AND COMMERCE IN THE TENTH CENTURY.—But although this advance had been premature, neither trade nor town life decayed back to what they had been before the ninth century. Paris, Bordeaux, Mainz, Cologne, St. Albans, Winchester, and many towns in the south continued to thrive and expand. In 850 Rouen had a fleet of twenty-eight ships, and a hundred years later merchants exporting wine and fish to London were exempt from certain taxes. Athelstane of England (925-940) raised to thegnhood every merchant 'who fared thrice over the sea with a cargo of his own'; and at the same period we hear of German merchants called 'Empens' men' as settled in London, while we know that the Baltic had a largely organised trade by the ninth century. Some of the very restrictions imposed on trade prove its existence: a tenth-century law in England forbade a man to sell goods worth more than twenty pence except within a town, and in presence of an official to sanction the bargain as fair; while another law prohibited the sale by night of gold, silver, precious stones, horses and all animals except food for travellers. Again, if eleventh-century Le Mans had fourteen registered trades,³ it is clear that it must have been in existence as an important commercial centre for some time.

How was this growing trade carried on? Obviously at first by travelling merchants, especially the pedlars, who are still the chief agents of commerce in all areas of slight economic development. Such pedlars would be recruited either from the

¹ Charlemagne took as a unit the silver pound, of 20 sous each of 12 denarii, the latter having a purchasing value of about 2 modern shillings, as can be seen from the following list of prices: 12 loaves, 1*d.*; 1 bushel of wheat, 12*d.*; a breastplate, 12*d.*; a helmet, 6*d.*

² Pirenne, *Medieval Cities*, p. 36.

³ Carpenters, weavers, goldsmiths, silversmiths, tailors, butchers, bakers, shoemakers, metal workers, cloth-makers, stone dealers, goat sellers, glass dealers, furriers.

Jews, who always lived a life of their own outside the agricultural economy in which their laws forbade them to participate, from occasional foreigners, from villeins who had escaped from serf-



CITY AND HALL, FROM THE UTRECHT PSALTER

From Ballard's *Domesday Inquest*. (Methuen.)

dom or who had been released by their lord. But pedlars could scarcely cope with the increasing demand for goods, and the regular merchant class gradually rose, travelling in caravans for mutual protection and the easier obtaining of supplies, and congregating at some points where purchasers could be met. Pilgrimage centres would obviously be selected, so would cathedral

communities, and many of the big trade fairs which later became famous thus had their origin in religious gatherings. St. Denis, the famous shrine near Paris, which became the burying-place of the French kings, is said to have had its first fair charter in 629, merchants coming to it from Provence, Spain and England; while Charlemagne encouraged the establishment of fairs at the meeting-places of the Imperial Diet, especially Aix-la-Chapelle, many important fairs were connected with monasteries. All this, however, remained primitive, at least as far as the northern half of Europe was concerned—how primitive is shown by the fact that in this period it is Scandinavia and its Norsemen that hold the supreme position in European commerce, reaching the Black Sea by following up the great Russian rivers and Iceland, Greenland, and even the coast of America.

BYZANTIUM AND THE NEAR EAST.—This picture of a primitive civilisation would be misleading, however, without a reminder that the Roman, urban civilisation, shattered in the West, had survived and even developed in the East. Byzantium remained a flourishing town, with great State factories and numerous small workshops of free artisans, organised into guilds and corporations of every kind, membership of which might carry various privileges such as exemption from military service or from taxation. The minute regulating of trade, which we shall study in the West later, was in full swing, and helped the setting up of high technical standards, even if it did lead to stagnation beyond a certain point of advance. This high technical skill gave Byzantium an unrivalled industrial supremacy from the sixth to the eleventh century, especially for luxury articles of all kinds—silks, embroideries, fine cloth, fine metal work. In commerce also her position was unrivalled. She lay at the meeting-place of all the chief trade routes and virtually controlled the whole of international trade. She exported to East and West; through her came the rare goods of the Orient, while the northern salt, wax, skins, honey, slaves, went eastwards, and from the West came metals, raw wool, hemp, linen, coarse woollen cloths. Ships of every country anchored along her quays, and the wealth of the whole world was to be found in her warehouses and bazaars.

Much of her importance was due to her excellent currency based on a gold coin called Bezzant, which became a standard coin all over the civilised world. Such was the abundance of coin that money could be raised at a low rate of interest and an elaborate credit system flourished, in anticipation of that to be built up later by the Italians. Naval insurance, commercial law

codes, maritime police, treaties of commerce with Moslem powers, all played their part in this commercial greatness. The weakness of the situation lay partly in the enormous taxes levied,¹ and also in the fact that much of all this trade was in the hands of foreigners who were never able to identify their interests with those of the city as a whole.

Byzantium must have numbered then close on one million souls, by far the biggest city in the early Middle Ages. Nor was she the only really important town in the Eastern Empire. Salonica had half a million; Athens, Nauplia, Corinth, Durazzo, Ragusa, Adrianople, and the southern Italian cities which she controlled, such as Bari, Reggio, Naples, Brindisi, Amalfi, were all flourishing. Also in Asia Minor, Antioch and Smyrna were thriving centres, and the Greek towns were in close economic relations with Alexandria, Beirut, Damascus and Baghdad. With an active and intelligent bourgeoisie, which formed an ever-increasing middle class, side by side with a large hard-working artisan class, with a keen sense of corporate life, prosperous and wealthy, her revenues reaching the sum of 600 million francs, with reserves of several thousand millions, Byzantium seemed indeed the heir to Rome, and her predominance appeared assured for many a century. Nor was her culture and influence limited to her borders. She had reclaimed southern Italy from the Barbarians, colonised the greater part of what was to be known as the Balkans, converted many heathen tribes to the Orthodox faith and spread her influence to Russia, who adopted Eastern Christianity in the eleventh century.

§ 5. FEUDAL ECONOMIC LIFE

It is now possible to sum up the main features of the economic life of western Europe some five hundred years after the collapse of Roman civilisation. It may be expressed mainly in three terms: hardness, insecurity, isolation.

ITS HARDNESS.—It was hard in every sense of the word. Standards of life were low, material existence was rough and coarse, devoid of amenities and of any real intellectual life. Recreations were so few that one writer (Gucard) sums it up in the word 'boredom'; fighting, tournaments, hunting, eating and drinking—little was left after that, save the singing of ballads by travelling troubadours and minstrels, or the reciting of primitive

¹ House-building in Byzantium was in itself a form of taxation; an edict of Constantine forbade any landowner in Asia Minor to make a will if he did not build a house in the capital.

poems, and rough theatricals connected with Church festivals ; the literature of the time gives us ample descriptions of the mischief that Satan found for idle hands to do, at least in the manor, for the peasant in the cottage was probably too busy eking out a bare livelihood for this problem of leisure to weigh very heavily with him. Whatever glamour is to be found in mediaeval life does not belong to the feudal age.

ITS INSECURITY.—Life was also insecure : battle, murder and sudden death were never far off, and famine was an ever-present problem. ' Not to be killed, and to have a good sheepskin coat for winter, these formed the supreme happiness in the tenth century,' says Stendhal. He does not exaggerate. Hence the absence of any ' long views ' in the policy and thought of those centuries. The immediate task of survival is too urgent, the future too uncertain ; only two ways of life were open—either to eat and drink, for to-morrow we die, or to concentrate on the only certainty in an uncertain world, the prospect of eternal life offered by the Church, whose services presented the only way of escape from a life which to most people must have appeared ' nasty, brutish and short.'

ITS ISOLATION.—It was not, however, solitary, to complete Hobbes's famous phrase, because, as we saw, feudal man was in one sense never really alone—his cottage was overcrowded and lay so close to its neighbour that the mediaeval village or town was, in fact, a community where individualism had little chance to flourish. But, nevertheless, isolation remains the third essential factor of this phase of civilisation. Manor, village, county town were small, practically self-contained units, knowing little of the outside world, intensely parochial in their outlook.¹ ' The mediaeval peasant,' says Tawney, ' did not see more than one hundred separate individuals in his whole life.'

Thus, economically, the Europe of the ninth or tenth century was a loose medley of primitive agricultural groups, with some scattered centres of denser population, each group being practically self-sufficing, the effective political unit being virtually co-extensive with the agricultural area which sustained it. Its machinery depended very little on exchange, which the insecurity of communications and the smallness of the output made difficult and rare, and when exchanges did take place they were largely based on barter or services, very little on money.

¹ Contrast this primitive civilisation with that of the East, with its beautiful towns, handsome buildings, palaces, schools, gardens, busy bazaars, its advanced state of education, of scientific knowledge, of literary development.

SIGNS OF CHANGE.—The passing from the feudal to the next stage will thus be marked by the emergence of factors which will eliminate or weaken the main tendencies described above. A marked increase in the amount of money, for instance, will facilitate the substitution of money payments for services in kind, and thus ruin the essential foundations of the manorial system. 'The increased circulation of money,' says Adams, 'struck at the very roots of feudalism, whose economic foundation was the scarcity of money and the impossibility of using it freely for purchases to supply daily needs. . . . Feudalism could not disappear as long as payments could not be substituted for services.' Again, the centralisation of tiny principalities into big states will enlarge the boundaries of economic activities and, together with increased money, will make production for sale possible. 'The gradual appearance of a surplus, especially of wool, served as the basis of a wider economic relationship which finally broke down the manorial system and produced a wider and more complex social organisation.' As Professor Weber observes, 'the manor set limits to the purchasing power of the rural population, because it prevented the peasant from devoting his entire labour to production for a market.' Finally, the growth of a centralised political authority will increase security, and with security will come large-scale trading and, with trade, towns, whose appearance will mark the passing of an era.

CHAPTER III

THE MEDIAEVAL AGE

§ 1. THE REBIRTH OF TOWN LIFE

THE Roman of Imperial days, whom we imagined as surveying in the ninth century the ruins of the splendid urban civilisation which he knew, would have felt less puzzled if he had been able to pay a second visit, some five hundred years later, to the scene of his former activities. He would have found once more real towns, no longer large villages, with stone buildings and large public places, surrounded indeed with a network of narrow, irregular streets and alleys, bordered by small wooden houses, and woefully lacking in air, light and many other amenities of civilisation, but towns, nevertheless, with regular commercial activities, trade relations with distant countries, and all the characteristics of urban as opposed to rural life.

CAUSES OF URBAN RENAISSANCE.—This rebirth of town life, which is the distinguishing feature of the twelfth century, came naturally with the reappearance of a state of things that made town life possible. Towns, as we saw, depend on trade, and therefore on the existence of those conditions without which no trade is possible. Those conditions had disappeared with the Roman Empire ; and with them the towns had disappeared also. But by the twelfth century new conditions favourable to trade were reappearing. Political stability was guaranteeing at least a minimum of security by land and sea ; agriculture, with improved methods and an increasing population, no longer decimated by raids or feuds, was producing a surplus,¹ and as much of this surplus could not easily be exported because its bulky and perishable nature made transport too difficult, it began to be more profitable to withdraw a proportion of labour from agriculture and turn it on to manufacture—first for the manor to which the workers belonged, and later on for disposal further

¹ 'So much wine and salt came to our monastery from its estates that it was simply necessary to sell the surplus' (Caesar of Heisterbach, quoted by Nussbaum, *History of Economic Institutions*, p. 32).

afield. As more goods, and of better quality, became available, all ranks of society began to demand a generally higher standard of material life ; the necessary purchasing power came from an ever-increasing surplus of food supplies and the reappearance of a fairly stable currency, which was made possible by an ever-increasing political stability. Finally, a number of political circumstances helped all those tendencies that were making for trade expansion : the Crusades created a large demand for instruments of war, equipment and shipping ; the creation of Christian kingdoms in the Near East opened up new markets to Western commerce, so did the settlement of the Baltic lands, Poland and Hungary, by the Christian colonising Orders.

ORIGIN OF TOWNS.—The combination of all these factors produced or rather re-created the town as we understand it—namely, not a market village, however big, but a community of specialised traders and manufacturers. Such a town began whenever a group of merchants decided to stop wandering and to establish a *permanent* selling centre in an area small enough for all the inhabitants to reach the selling centre in a reasonably short journey, and yet large enough to provide an adequate body of *permanent* customers. As Pirenne says : ‘ If the merchants of the Middle Ages were mostly travellers, they must nevertheless have resided at definite places in the intervals between their trips or in the bad season. They would naturally group themselves in localities best adapted by facility of communications to the necessities of commerce. As commerce grew and security was more established, the group would grow. . . . The city dwelling class or bourgeoisie did not arise from the numerous retainers who had been fixed for centuries round abbeys and cathedrals, but from strangers, free and unfree, who, abandoning the cultivation of the soil, came in ever greater numbers to find in commerce and industry a new means of existence.’

Pirenne’s explanation of the origins of towns commends itself as natural and sensible. It carries with it the further suggestion that we are to find the reasons for the location of towns in geographical rather than historical considerations. It is true that many new towns grew up on sites of old Roman cities, but this was only because the old cities had been naturally favourably located for commerce ; similarly, a castle, cathedral or monastery drew people together and became a useful centre for a commercial settlement. But it is now clearly established that Roman cities probably had not the slightest influence¹ in forming the commer-

¹ ‘ The new places owed nothing to the old except location and a few old stones ’ (Gras, *Introduction to Economic History*, p. 112).

cial cities which began to spring up in the eleventh century. Nor, again, were towns due to the natural growth of a feudal village, however big. Where the lords had the greatest authority, the foundation of autonomous municipalities met with the most severe opposition, and it was easiest where the seigniorial authority was at its lowest, as in Flanders. Even when some of the manorial villages grew into a commercial town, or an old Roman city was transformed into a modern commune, the change always needed the infusion of a *new element*. The merchants frequently managed to settle side by side with members of the older social classes ; but the latter only became a part of the new town as they were drawn into the new commercial movement. As to fairs or markets, these were located in open places, suitable for large gatherings, but not necessarily for a permanent commercial settlement. Thus, while a city may occasionally have arisen on the site of a great fair or a seigniorial market, yet, as in the case of the towns which sprang up about the old cities, castles and monasteries, these exceptions are to be explained solely on the ground that the fairs and markets in question were favourably located for trade. Every theory as to the origin of towns has some truth. Historical facts can be cited to show that this town did spring up under the shadow of a strong castle, another was established on the site of a great fair, another on the site of an old city, and so on. But as general explanations of the real origin of towns they are inadequate. While the urban constitutions were favoured under the influence of those various forces, they *originated* in the economic causes described above.

§ 2. THE REVIVAL OF TRADE

EXPANSION OF MARKETS.—The growing trade, whose revival thus lies at the very foundation of city life, can be divided into two main categories : a local trade, exchanging of articles of local produce and make, and a world trade, importing articles not obtainable locally, either raw materials or luxuries, and exporting articles unknown in other countries. Food and clothing being the essential necessities of life, it is not surprising that local, and later international, trade should first develop around these two, and they were naturally the first two great surpluses to appear in mediaeval economic life. So we have on the one side a rapidly growing trade in corn, wine, meat, fish and oil, soon expanding into the importation of spices and other Eastern delicacies, and on the other side the enormous growth of the cloth trade : wool sent from the sheep-farming districts to districts where weaving was easy ; vegetable dyes, flax, hides and manufactured articles in

linen and leather, these local exchanges expanding into a foreign trade by which all these articles were exported to the East, in exchange for silks, rich embroideries and expensive furs.¹ Add to this the essentials for house-building—stone, timber, and metal work—and you had the essentials of mediaeval commerce. Trade was not only taking place on an entirely new scale, but on the new principle of supplying not the immediate needs of a small local group but the future demands of a general market. But growing trade brought a growing demand; this demand stimulated production and the discovery of new techniques, and increased production, in its turn, looked for new markets. Modern commercial industry was born.

All these new activities involved the rise of a new social class of specialised industrial workers, independent of the manor, and distinct from the agricultural class. Some lived and worked alone, others had a few assistants whom they chose and paid; in most cases the members of the family would help. These artisans or craftsmen worked mainly in their own houses, with their own tools, on materials usually bought by them, though sometimes provided by the giver of the order. Then, as the market developed, the artisan would see his workroom expand into a regular workshop; his assistants would no longer be casually selected but be bound by formal rules, either as journeymen paid a regular wage or as apprentices in training for that particular craft. The whole organisation, if one can speak of organisation, was thus extremely elastic; each worker, being practically independent, could easily adapt himself to the increased specialisation and growing area of the market. Thus, small urban industries multiplied, each retaining these essential characteristics of the domestic, as opposed to factory, industry.

THE WOOL AND CLOTH INDUSTRY.—The development of the wool and cloth industry is the most typical, wool being the first commodity of which there would be an obvious surplus in any manor, while the demand for cloth of all kinds was virtually inexhaustible. The wool grower delivers the raw material to the worker, often by the intermediary of an 'entrepreneur' or factor, who has either bought up the wool crop of a district or who acts as the grower's agent; he superintends the progress of the wool from spinner to weaver and fuller until the article is ready for the

¹ 'The re-appearance of long-distance trade was the work, in the tenth century, of Flemish and Venetian merchants, who, by way of the North and Baltic seas and the river Dnieper, or of the Mediterranean, re-established contact with Byzantine trade, where an active commercial life had remained possible owing to the protection offered by the survival of the Imperial legal and political systems' (Morini-Comby, *Mercantilisme et Protectionisme*, p. 9).

market. As trade grows, it becomes necessary to concentrate the cloth thus manufactured in some central selling place, and the merchants' hall appears where the agents of sellers and buyers can meet. The industry has become definitely organised on a modern basis—*i.e.* the worker is no longer responsible either for the production of the raw material or for the disposal of the finished article ; he has lost control of the various processes of production and manufacture.

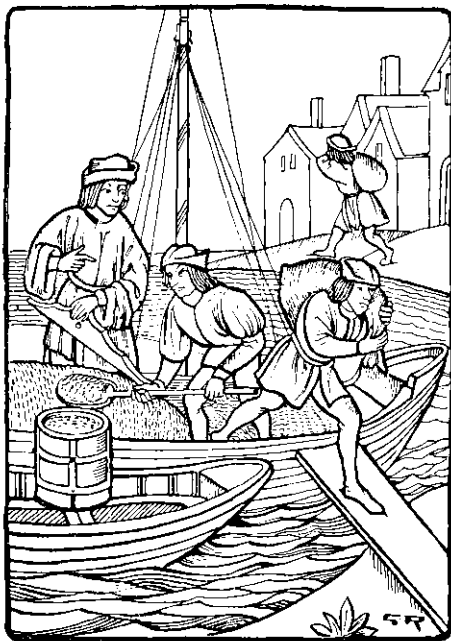
Together with the development of wool came the spread of linen cloth, the use of which for underclothing became practically universal by the thirteenth and fourteenth centuries, and out of which grew the trade in paper, made out of old linen and rapidly replacing the old-fashioned and expensive parchments. Cotton goods, like linen, were introduced by traders from the East, coming in by Italy and Spain ; the terms 'cotton,' 'muslin,' 'fustian,' still indicate their Arabic origin ; and contact with the East also stimulated both the sale and the domestic manufacture of silks, carpets, embroidery and fine leather work.

Furs also ceased to be a luxury : 'they used to be for princesses,' clamours a mediaeval preacher, 'now no bourgeoisie can do without them. Even in villages peasants and their wives wear foreign expensive clothes and try to imitate the nobles. A few years ago, they were still simple folk ; commonsense, which had deserted the towns, seemed to have taken refuge in the countryside. But now all is changed. Our village folk will wear no linen or smocks ; they must have woollen cloth from London or Malines, well-cut and shaped. There is no longer any simplicity in the world' ; and another bishop bitterly complains that 'people would strive as hard to come into possession of a marten skin as if it were eternal salvation.'

MINING AND BUILDING.—We also see a great expansion in the exploitation of essential minerals. Mining in a very primitive form was an old industry ; iron mines had been worked for some time in many parts of western Europe, especially in Westphalia, the Harz Mountains, Sussex, and north-eastern France ; tin was mined in Cornwall, lead in Derbyshire, mercury in Spain, alum in Italy. At this stage, however, coal mining took on a new activity. The Limburg coal mines were opened up in the twelfth century, those of Newcastle in England in the early fourteenth, those of the Saar in the fifteenth. All this coal was used as domestic fuel, to such an extent that the burning of coal was forbidden in London in the fourteenth century because of the soot nuisance. (It need hardly be said that the prohibition remained a dead letter.) Smelting was begun in the sixteenth

century and belongs to a later chapter, but metallurgy carried on in small forges, with vegetable fuel, advanced rapidly, especially for the making of very fine weapons in Italy and Spain. Rougher iron work of all kinds, ordinary cutlery and plain locksmiths' work was soon general all over the West.

The great expansion of stone building which also took place



' MESURAGE DU SEL '

From Martin's *Histoire Economique et Financière de la France*.

gave a new standing to the craft of the masons, who, while travelling around the country in search of work, tended to have their fixed headquarters near monasteries and cathedrals. But of all minerals, *salt* is that which plays the most important function in this period, a function which is political as well as economic. In a Catholic society, where the eating of fish is a religious obligation on a considerable number of days in the year, salt is an absolute necessity for the preservation and transport of this

essential food;¹ and districts possessing either supplies of sea salt or easily worked salt mines were of great economic and political importance. The latter were few, Franche-Comté, Lorraine, Bavaria, being the chief, with occasional centres still easily identified by such forms as Salz or Hall in German, Wich in English, Saulnier in French, or Szoe in Russian. Huge fortunes were built up on the salt trade, and wars fought for the mastery of salt mines. And much of the commercial power of France lay in her control of large areas of sea-coast that supplied the right kind of salt.

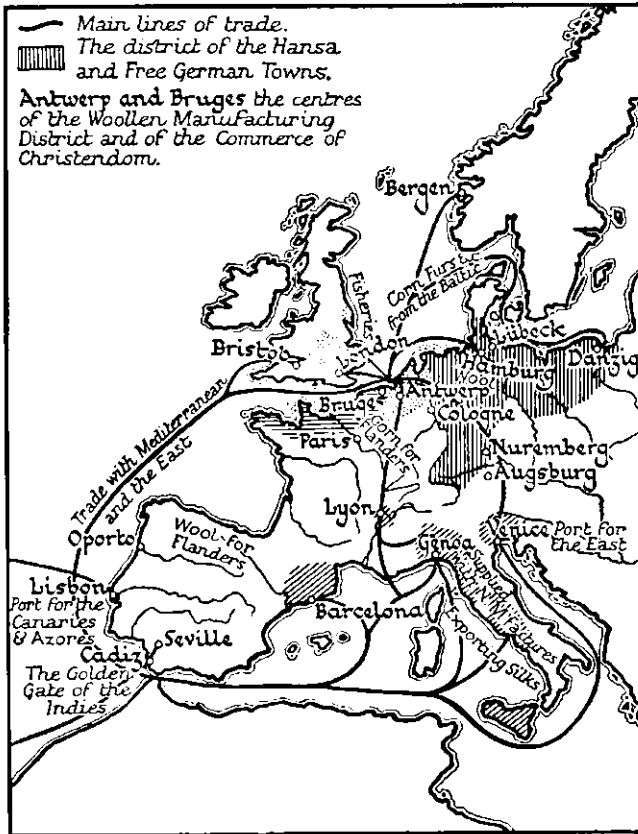
With salt we come on to food-stuffs. Most of the trade in these was of course local, though the export of salted meat and fish and beer from North to South was frequent. Trade in provisions, however, only existed on a large scale for three articles of primary necessity—salt fish from the Baltic and North Sea, oil from Italy and the East, and wine from Italy and France.

EXTENT OF MEDIAEVAL TRADE.—Some idea of the extent of trade can be obtained by seeing the records extant of trade in various centuries. The tariff of duties imposed in 1306 on goods landed at London Bridge, for instance, comprises four pages of modern printed matter, including coal, timber, beer, wines, horses, cattle, sheep, pigs, grain, butter, cheese, fish, furs, skins, metal, pots and cups, silks, millstones. At the same period, Bruges was trading with thirty-four nations: from England she imported wool, leather, lead, tin, cheese, coal; from Scotland and Ireland wool, leather, cheese; from Normandy and Denmark leather, butter, pitch, bacon, herrings; from Sweden furs; from Russia and Poland furs and wax; from Hungary wax and gold. In fourteenth-century Paris we find such specialised traders as parchment-makers, binders, copyists, manuscript enluminers, dealers in false hair, in ivory hair-pins, in spectacles, in necklaces and in gloves.² A typical example of what a mediaeval merchant might trade in is to be found in the activities of one Victor Von Gelderson of Hamburg. He seems to have imported cloth wholesale (mainly from England, presumably) and sold it both wholesale and retail; but in addition to the cloth that was the mainstay of his trade he bought from

¹ Salt fish was a primary necessity in the Middle Ages. It was needed for the numerous fasts enjoined by the Church, for the provisioning of besieged towns, and of armies in the field. The industry employed a large proportion of the population of northern Europe; the harbours frequented by the fishing fleets soon became important towns, and large fortunes were made by the owners of the ships. The Baltic Hanse towns largely owed their prosperity to their monopoly of the Scania herring-beds (Fayle, *History of the World's Shipping Industry*, pp. 90-92).

² Fagniez, *L'Industrie à Paris aux 13^e et 14^e siècles*.

Bruges, to sell in Hamburg, oil, spices, figs and almonds—evidently imported from the East ; and sold in Bruges, possibly for exporting further afield, iron, meat, honey and butter from northern Germany.



MANUFACTURING DISTRICTS IN MEDIAEVAL EUROPE
 From Thompson's *Historical Geography of Europe*.
 (Oxford University Press.)

THE FAIRS.—The buying and selling which this trade involved was carried on partly in permanent markets, partly in periodic fairs. A market has been defined as ‘a place appointed by the Government where bargains could legitimately be made,’¹ and the possession of a permanent market was the hall-mark of the town, however small, as distinguished from the agricultural village, however big, being as a rule one of the essential features

¹ Day, *A History of Commerce*, p. 35.

of the municipal charters, to which further reference will be made later. Most of the local trade would be carried on in the markets, but the great overseas trade tended to centre in one of the great fairs at which the leading merchants or their agents would meet regularly. In western Europe the most famous of these fairs were those of Champagne, held in that great junction of roads and rivers in which so many armies have met, the upper Seine and Marne valleys. Connected with the chief Alpine passes, equally accessible to the towns of the Low Countries and of Germany, to the wool-growing districts of England, to the fisheries of the North Sea, and to the banking centres of Italy, those fairs became a real meeting-place of nations. They were held as often as six times a year for a period of fifteen to fifty days, almost a permanent institution, except that the fair moved from one town to another: Lagny, Bar-sur-Aube, Troyes,¹ Provins. Strict regulations surrounded the fairs, certain types of goods being sold at certain periods, but if some of these tended to hamper liberty of trade, most of them helped it by guaranteeing public order, freedom from arbitrary arrest, the use of fair weights and measures, thus enabling an enormous amount of varied credit operations to be carried on. Beginning in 1174, the Champagne fairs reached their highest point of development at the beginning of the fourteenth century; they declined after the annexation of Champagne by France in 1294 and the subsequent wars with the counts of Flanders.

In England, the main fair was that of Winchester, held annually from August 31 to September 15. While it went on, all ordinary retail trade was suspended in Winchester and within a seven-league radius; any Winchester tradesman who wished to continue business had to transfer his shop to the Fair ground on the hill outside the city. Other famous Fair centres were Stourbridge in England, Aix-la-Chapelle in Germany, Novgorod in Russia, Bari and Lucca in Italy; but France, by her geographical situation the natural meeting-place of Northern and Southern trade, was the country where Fair centres were most numerous, Beaucaire in the south and St. Denis near Paris being almost as important as the cities of Champagne.

RISE OF MERCHANT COMPANIES.—In spite, however, of organised fairs and markets, mediæval trade remained full of difficulties—dangers by road and sea, poor credit facilities, endless delays between the various buying and selling transactions. The career of isolated merchants was hazardous and

¹ The troy weight still used in England was the weight enforced at Troyes.

insecure ; only association could really solve their problems : hence the great unions of merchants which virtually monopolised large-scale commerce in the thirteenth and fourteenth centuries. Those unions were at first temporary associations of merchants going on particular journeys, but very quickly merchants of particular towns or districts tended to band themselves together into a single trading organisation, called 'Hanse.' The earliest 'Hanse' is that of Flanders ; it began practically as the gild merchant of Bruges, the chief city of Flanders, but grew to such an extent that by the thirteenth century it comprised over fifty towns, from Bruges to Rheims in Champagne and Caen in Normandy. This Hanse virtually controlled the importing to the Continent of English wool, to such an extent that at one time goods purchased by a non-member were liable to confiscation. This Flemish Hanse was gradually broken by the English Staplers, first organised in 1267, with stations (or *étapes*, hence their name) at Calais, Bruges, Antwerp and Dordrecht. For a time the Staplers co-operated with the Flemings, each controlling one side of the Anglo-Flemish trade, but by 1354 the Flemish Hanse became disorganised and its monopolies passed into the hands of the Staplers, until they in their turn were overwhelmed by the Merchant Adventurers, of whom we shall speak in the next chapter.

THE HANSEATIC LEAGUE.—More important than either the Flemings or the Staplers was the association of German towns which ultimately monopolised the very name of Hanse. Begun as an association of merchants in the chief Baltic towns, the Hanseatic League included by the end of the thirteenth century so many towns that one of its officials contemptuously remarked that no one could give a complete list of the Hanse towns. They certainly numbered nearly a hundred, from Dinant in modern Belgium to Reval in the east, and to Göttingen in Germany, Lübeck, Wisby in Gothland, Cologne and Dantzic being the chief centres. They had a practical monopoly of the fisheries of northern Europe, and of all trade with Russia. No government dare oppose them : they several times defeated Denmark and Sweden, and imposed their will on many a recalcitrant city or province. Their complete control of the Sound gave them of course an extraordinarily strong strategic position.

The basis of their system was the establishment of 'factories' or trading stations, which formed in those cities where they were set up a centre virtually outside the jurisdiction of the country in which they were situated. Their chief cities were London, Bergen and Novgorod. In London the Hanse had a permanent

colony in the Steelyard, near Cannon Street, with a regular weekly Board meeting, and a number of privileges which were constantly attacked by the native merchants, were withdrawn, then restored, and not finally withdrawn till 1507. (These privileges, it may be added, were paid for by large loans to the Government.) London, in fact, dealt generously with her foreign merchant society, of whom the Hanseatic representatives were perhaps the chief but not the only members, leaving them very free from external control; and, indeed, in most towns they claimed from ordinary jurisdiction the same kind of freedom that is still granted to foreigners by 'capitulations,' so prevalent in the East until quite recent times, *i.e.* the right to be tried by courts composed wholly or partly of judges of their own country. But if the foreign merchant was indeed protected in a variety of ways, he was often subject to a very strict control; in Venice, for instance, he was assigned a room in the 'Fondaco,' or warehouse of his country; a list was made of his wares; an inspector was appointed to act as interpreter and also to follow him and see that he broke none of the numerous regulations which protected Venetian trade from unfair competition. Foreigners could only bring goods from their own country and could only trade with Venetians; and they must sell their whole stock in Venice before they left the town.

The power of the Hanseatic League, and indeed of all such similar associations, largely depended on the weakness of the states on whose territories they traded. As soon as governments began to build up a strong central authority and to develop commercial policies of their own, these half-political, half-commercial bodies found the ground cut from under their feet. Some of the Hanse towns remained, indeed, as semi-independent republics, but many of them were swallowed up into the rising states and lost the power of close association with towns under other political control. The next stage was that of national merchant companies under State control, which we shall study in the next chapter.

REGULATION OF TRADE.—The very term 'merchant' is misleading if we mean by this a class of people who did nothing but sell. Trade was, in fact, a direct connection between producer and buyer; there was no wholesale trade; the importer was also a retail dealer; so also was the maker of the articles dealt with in local trade: all this with exceptions, however, due to the elaborate network of regulations which so largely hampered mediaeval commerce, both small and great. There was no freedom to sell or buy when or as you wished; definite areas

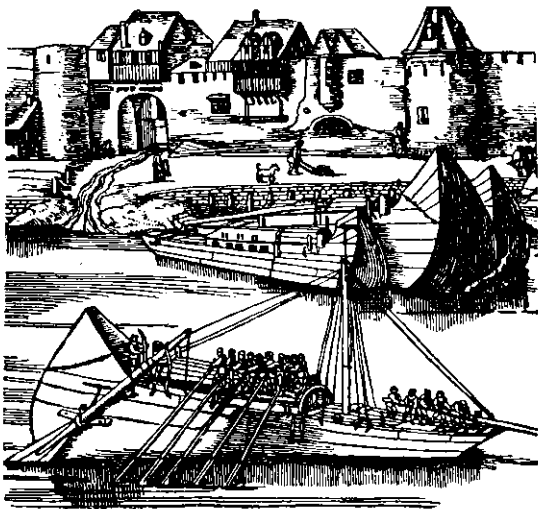
were assigned to definite trades ; certain ports fixed for the importing or exporting of certain goods.

The bread and wine trades in London provide interesting examples of these regulations. It was forbidden to make both white and brown bread, and to sell it in one's own house ; it must be either sold to the public from a special hutch twice a week or sold to hawkers, thirteen loaves being sold as a dozen. Every loaf must be stamped with the baker's seal, and the baker of an underweight loaf was severely punished, the weight of the penny and halfpenny loaves being fixed for the year each Michaelmas at the Assize of Bread, according to the value of the harvest. Bakers were also allowed to bake bread or cakes for people supplying their own flour ; a baker happened to be caught rolling the dough on a board provided with a hole, through which a portion of the dough which really belonged to the owners of the flour thus fell into a receptacle underneath : the offender was condemned to sit in the pillory with the mass of the stolen dough suspended round his neck ! Turning to wine, we find that every ship carrying wine must stop below London Bridge, where one sample tun, but no more, could be sold to the public at the rate of one penny the stoop. The tun once disposed of, the ship must wait two tides, while the sheriff buys for the King up to three tuns at a special low rate, and only after that can the ship proceed beyond the Bridge and sell to the general public, wholesale dealers of London, Oxford and Winchester having first choice. No ship could remain more than forty days ; at the expiration of that period the cargo must be sold at any price. The unloading was done by registered gangs of twelve porters, the cost being $2\frac{1}{2}d.$ a tun to a neighbouring warehouse, and $8d.$ into the city itself. No wholesaler was allowed to deal in retail, and a retailer who sold adulterated wine was condemned to sit in the pillory, to drink a large draught of his wine, and to have the rest poured over him, being further debarred from his trade until specially pardoned by the King (1364).¹

COMMUNICATIONS.—The fact that this extensive trade could now be carried on with reasonable regularity and security shows that great improvements had been achieved in communications

¹ Most wines came from Bordeaux, the chief centre of the extensive trade between England and Gascony, then an English possession. This made the Gascons very reluctant to become French and break the political connection with England. 'It is worth more for the Gascons to be under the English than under the French,' wrote Froissart the chronicler about 1400, 'for they have more trade in wine, cloth and wool with the English than with the French ; and they are inclined towards them naturally.' Bordeaux, the last town in Gascony to remain in English hands, was lost in 1452.

both by land and sea. Roads were improved, numerous bridges built, many by special religious orders of Pontiff Brothers or Bridge Men ; new regular services of couriers and wagons were established, inns and shelters placed along difficult mountain roads and passes. It took, about 1250, some thirty-five days for heavy goods to cover the 350 miles between Paris and Geneva, five or six for a swift courier to cover the same distance between Florence and Naples. Good coaches began to be built in which it was possible to sleep and to work. Eleanor, sister of the English



RHINE BOAT, COLOGNE

From *Zimmern's Hansa Towns*. (Ernest Benn, Ltd.)

King Edward III, had a coach that cost £1000, the value of sixteen hundred oxen. The Middle Ages were a time of much travelling : much business now done by letter or telegram could only be done in person ; kings and nobles were always on the move, inspecting their manors, holding courts of justice in their chief cities ; pilgrimages to far-away shrines were frequent ; students regularly travelled to distant universities ; merchants, pedlars, wandering minstrels, friars, beggars, thronged the mediaeval highway.

Of this increased traffic much went by river, a far more comfortable, safer and appreciably faster method of travel than by road, as well as much cheaper for bulky and heavy goods.

Navigable rivers were improved, and numerous transport companies plied on the main streams, which became the scene of prodigious activity and led to the creation and development of numerous river ports such as Arles, Niort, Douai, Cologne, Frankfurt. Not only river traffic, in fact, but sea traffic as well sought the shelter of ports situated on navigable rivers some distance from the sea : it made for security and also reduced freight charges by taking goods well inland before transfer to the more expensive land routes. London, Antwerp, Hamburg, Rouen, Bremen, Venice are obvious cases in point. But although such harbours grew, sea traffic did not keep pace with land methods of transport : even with the help of the recently invented compass, sailors still dreaded long journeys far from land. Nor did shipbuilding technique make any great strides during this period. Ships remained small, from 50 to 500 tons, no bigger than in Roman days. Venice, indeed, had ships which seem to have been 110 feet long, 40 feet wide and 11½ feet deep, carrying about 100 crew and 1000 passengers, but such figures are difficult to check. In 1293, Genoa had 200 ships with a total force of 25,000 men, which gives an average crew of over one hundred. Shipping arrangements varied considerably : in many parts the ships were town property and were leased to guilds or other organisations ; many ships were collectively owned. Whereas in Roman law the shipowner usually owned the vessel, engaged a crew to navigate her, and contracted with the charterer to carry his goods for a fixed freight, it was a common thing in the Middle Ages for the members of a single syndicate to own the ship, load her with their own goods and sail her as mariners ; so that the same persons were shipowners, cargo-owners and crew. In such cases there was an elaborate sharing of profits, with each mariner entitled to one share as remuneration for his nautical work. Elaborate regulations protected the sailor : in sickness or imprisonment by pirates, his wages were to continue ; ships were inspected, their loading and equipment regulated ; a minimum size of crew fixed according to the size of the ships, the amount and quality of food to be supplied on board carefully stated. The Wisby shipping code, which regulated much of the shipping on the Baltic, enacts that the master must consult the crew before sailing, otherwise he is solely responsible for all damage in case of accident or shipwreck ; this seems to indicate that a considerable proportion of the crew might be of more importance, socially and commercially, than an ordinary seaman. During the trip strict discipline was maintained by a voluntary police appointed for the journey by passengers and crew ; fines were levied for breaches of regulation and the total given to the poor

of the port of arrival. The whole picture is of an elaborate regulation, very modern in many of its aspects.

COMMERCIAL ROUTES.—Mediæval commerce was divided into three main well-marked areas : Northern Europe, dealing mainly with grain, wool, hides, flax, tallow, salt, meat, fish, hemp, timber, furs, and mainly controlled by the Hanseatic League ; the East, dealing mainly in Oriental goods of small bulk and high value, most of them luxuries ; and the Mediterranean, whose ports were the intermediaries between the two other areas, although a certain amount of Eastern trade went straight north to Novgorod and the Baltic from the Black Sea. The main trade routes were, therefore, either northwards or eastwards from the Mediterranean ports, especially those of Italy, from Venice to the Rhine—either by Genoa, the Engadine and Basle ; or by the Brenner Pass, the upper Danube and Vienna. Milan, Ratisbon, Leipzig were among the chief junction points of that road system.

The Eastern trade seems to have followed three main routes : from India to Basra, Baghdad and Antioch, by the Tigris and Orontes rivers ; from India to Basra, Baghdad, Damascus and Beirut ; or from India to Aden, Cairo and Alexandria. The Near Eastern traffic seems to have concentrated in Damascus and despatched thence to the various ports of Syria. With the moving of the Turks nearer and nearer to Constantinople, the northern route fell out of favour, to the advantage of the Red Sea and Syrian routes.

CURRENCY AND CREDIT.—This great expansion of trade could not have come about without a great expansion both of currency and of credit based on currency. It was, in fact, as Dr. Cunningham says, the diffusion of money that was at the bottom of the economic revolution which reached its culminating point in the thirteenth century. This increased supply of money came from an increase in the amount of gold and silver available, both by imports from the East and by the increased exploitation of mines ; currency reform became the care of most governments, especially of the Italian Republics, of England and of France, gold coinage of fixed value becoming usual and being used as a recognised medium of exchange all over the civilised world. But depreciation of the coinage was not wholly abandoned by monarchs in financial difficulties, and remained for many a long year one of the problems of European trade, the complexities of which can be easily understood in a period like ours, where depreciation of currency is returning into favour with hard-up governments.

This increase in the supply of money had a variety of results in different spheres. It made regular taxation much easier, and contributed to the disappearance of all dues in kind or in services, and thereby of the whole manorial system; it led to the institution of the practice of farming taxes, an expensive and wasteful method of collection, but one which gave the State the advantage of an assured minimum revenue. It helped to develop security by enabling states to set up, instead of irregular feudal levies, permanent bodies of regularly paid soldiers, charged with the keeping of internal order as much as with defence from external enemies. It destroyed barter, facilitated the regulation of prices, and paved the way for the further economic revolutions that were to bring in capitalism. 'Payment in money is the main event of European history in the thirteenth century; it begins the sapping of the political power of the aristocracy; it brings about the rise of those who manipulate money—first of the Jews, the Lombards, the Knights Templars, then of the kings, and finally of the wealthy middle class, money-changers and merchants, the new urban aristocracy.'¹ Cash transactions also helped to establish the power and wealth of the Papacy. Its revenues, from rents, fees, dues and taxation, formed enormous amounts which could scarcely be administered centrally as long as they were paid in kind, but which, once paid in money, could be collected and transmitted to Rome by the Papal agents established all over western Christendom.

BANKING.—Papal finance was, in fact, largely connected with the establishment of banking on a large scale, in order to avoid the carriage of excessive amounts of bullion. Bills of exchange, for instance, were used to transmit the revenues from England, which bills were largely met by the exportation of English wool to the Italian market. These Papal merchants often resorted to money-lending and to exchange transactions, which many asserted to be incompatible with the spiritual character of the Papacy, but nevertheless went a long way to building up banking institutions. The earliest public bank seems to have been founded in Venice in 1170, for the purpose of floating State loans; this institution, which lasted until 1797, was followed by many others in the thirteenth and fourteenth centuries. Money-lending and

¹ Morini-Comby, *Mercantilisme et Protectionisme*, p. 11. The Knights Templars handled at one time most of the capital of western Europe, becoming expert accountants, judicious administrators, and pioneers in the development of credit. As a religious institution, however, they claimed exemption from taxation, and awakened bitter jealousies. Philip the Fair's policy of centralising finance in the hands of the king is typical of his day; he expelled the Jews from France in 1306, the Lombards in 1311, and destroyed the Templars in 1307. Edward I had expelled the Jews from England in 1290.

the arrangement of credit, without which no real commerce was possible, were their chief concern, but all kinds of financial transactions were carried out by them. The great banking firms, mostly Italian, and among these chiefly Florentine, were at first family concerns, but by marriages and amalgamations they became huge rival groups or cartels. They had branches all over the Near East; they played a prominent part in the chief markets of western Europe; they largely controlled all credit operations in such important centres as Bruges and London. They carried on both wholesale trading and carriage, buying, carrying and reselling every kind of article, both necessities and luxuries. They had their own insurance system, and insured other traders as well; they lent to princes and to kings on a large scale: Edward III borrowed from Florentine bankers, and owed them, in 1339, some 1,355,000 gold florins, and his failure to pay caused many bankruptcies. All forms of credit and financing were, in fact, used—loans on mortgages, loans on bottomry, and limited partnerships. It has been said that the development of organised dealings in foreign exchanges, and advances in the technique of banking by firms located in Genoa, Venice and Florence, with agents scattered to the utmost confines of Europe, represented the greatest contribution of the Middle Ages to capitalism.

THE PROBLEM OF USURY.—Money-lending found itself in conflict with a fundamental mediæval principle, the forbidding of all usury; but theories were devised to justify it, on the ground of risk of loss, and of loss resulting from the other uses that might have been made of the money.¹

As a matter of fact, interest did exist at a very high rate, commonly between 10 and 20 per cent. It was so high in Florence at the beginning of the fifteenth century that Jewish money-lenders were invited to come and settle in order to bring the rate down to 20 per cent. As a result of the attitude of the Church to the question, Jews enjoyed, in the early Middle Ages, a virtual monopoly of banking. When business interests had broken down ecclesiastical prohibitions, Italians stepped in and soon ousted them from this supremacy; the expulsion from England, in 1290, of the Jews whom William I had deliberately brought in to help him in financial organisation, shows that by the end of the

¹ In spite of all prohibitions, 'money-lending played an important part in the building of great fortunes in the Middle Ages. The market for loans was among the nobility, secular and ecclesiastical, whose consumption demands exceeded their natural income from their estates—a lord who wanted a fine coat of mail, an abbot who wished to indulge his taste for building a fine church. All over Europe proverbs, poems and the reflections of moralists, from the tenth to the thirteenth century, tell us of the fatal inroads of the usurer upon the feudal economy' (Nussbaum, *History of Economic Institutions*, p. 118).

thirteenth century the control of banking had passed into Christian hands.

LIMITATIONS OF MEDIAEVAL TRADE.—The development of trade and credit must not, however, blind us to its smallness if its total bulk be considered and compared to later conditions. Sombart remarks that the total trade of a big German port, in any one year of this period, would be carried on a modern liner; a cargo of spices, enough to meet the needs of the whole West, would be less than a warehouse full of pepper or sugar to be found any time in a modern port; an agent would be sent on purpose from Germany to Venice to buy sixteen sacks of cotton, and a few hundred pieces of muslin and other Eastern cloths would represent the turnover of an important counting-house. To quote a few figures: in 1354 the total English wool export amounted to 31,651 sacks¹ at £6 a sack, and 3036 cwt. at £2 a cwt.; 4774 pieces of cloth at £2 a piece, 8061 pieces of worsted at 16s. 8d. a piece, giving a total value of £212,338 and paying duties amounting to £81,846. The imports for the same year were 1381 pieces of fine cloth at £6 each, 397 cwt. of wax and 1829 tuns of wine at £2, with linen and mercery of the value of £22,043, the total imports being £38,383. The important harbour of Reval had, in 1369, 198 merchants and 12 ships, with an average trade of £80 per merchant, while the famous Lübeck counted, in 1368, 430 entries and 870 departures of ships, with a total trade of barely £100,000 in present values. The total Baltic trade did not amount to one million pounds, about three times the total revenue of Edward III. We must, in all this study, keep a strict sense of proportion and never lose sight of the relative smallness of the mediaeval world.

§ 3. THE ORGANISATION OF THE TOWN

CLASSES IN URBAN LIFE.—The revival of trade and industry brought with it the formation and progress of new social elements, the industrial and commercial classes. The beginning of the town was in most cases, as we have said, the settlement of a group of merchants—men who had never fitted into the agricultural feudal society and could not settle on a feudal manor, but would probably form their settlement near to some manor to be within the reach of manorial protection if needs be. There gradually gathered around these all the various social and economic elements to which the growing community gave an opportunity for a better livelihood than the feudal village, and the settlement became the

¹ A sack of wool weighed 364 lb. of 16 oz.

town, distinct from its rural surroundings though still, of course, closely connected with them. With the growth of the town these various elements gradually became more or less crystallised into definitely marked groups, of which a rough classification is possible in the period we have reached. Beginning at the top, we find in most towns a small group of patricians or aristocrats, usually local landlords who realised there was more profit in commerce than in agriculture, or who found it easier to control an expanding trade in vegetables and fruits in the town than from the castle. To these patricians, who formed in the early stages of municipal development a close but efficient governing class, the towns owed much, especially in Italy and Flanders; they gave not only buildings and organisations, but a sense of separateness from the manorial system and consciousness of a distinct corporate existence. Ultimately, however, this governing class tended to identify the interests of the town with its own, and freedom from its control became essential to urban development. Next comes the merchant class, either those engaged in trading in goods which they had not produced (victuallers, haberdashers, mercers) or those dealing in wares which they had made (weavers, etc.). Often, of course, the same merchant might be included in both categories: the famous family of the Fuggers were originally weavers, but gradually controlled enterprises of all kinds. Closely connected with merchants came the hucksters and pedlars, on whom much of the village trade depended; much higher socially than the pedlars were the small independent masters, always struggling to keep free of the big merchants, and with these masters came their apprentices, who would one day succeed them, and the journeymen on whom they depended for most of the routine work. Then the bankers and financiers, usually in a class apart, though in many cases merchants would handle much business of a banking nature. Finally, the mass of odd unclassified but always necessary town dwellers: pawn-brokers, servants, scribes, leeches and apothecaries, manual workers, and beggars.

URBAN EMANCIPATION.—The essential condition for town development was freedom. ‘The feudal system by its fiscal regulations, its tyranny and its anarchy, impeded the development of trade and the activity of the workshops.’ The various classes in the growing town soon realised that, helpless as individuals or small groups, they could find the power they needed in association, and the numerous small guilds and fraternities which had always grouped together workers in the same craft now federated in the bigger guilds merchant, which represented the interests of the

commercial community as a whole. 'The craftsman possessed as yet neither the wealth nor the cohesion nor the breadth of view of the merchants. It was the latter who conceived the common programme of emancipation and brought it to a triumphant success by their co-ordinated, considered and energetic action, and it was the merchant gild which engaged in the battle, directed it and ran it.'¹

The problem was to shake off the financial, judicial and administrative control of the feudal lord on whose territory the town had grown. He might be a mere local baron, in which case the struggle might be short and easy, freedom being sometimes obtained by a mere money payment to a lord in urgent need of ready cash. But in many cases he would be a more powerful person, a bishop or abbot, as in Milan, in Beauvais (where the dyers' gild led the struggle), in Cambrai, in Cologne, in Compostella, in Laon, in Sens, in Vézelay, or some powerful earl, or the king himself in many cases. Here again, a lord who needed money,² or who realised that a prosperous, free town was ultimately a greater asset to his domains than a sullen, unprogressive community, would grant freedom on easy terms. But this was comparatively rare, and the more powerful the overlord, the more violent and prolonged was the struggle likely to prove: it took four revolutions in Milan, three in Laon, five in Vézelay, twelve in Tours.

The term 'charter' is usually applied to the document guaranteeing the freedom of towns from feudal overlordship. These charters varied, of course, in detail, though they tended to approximate to a small number of definite types. In those districts where a royal or feudal overlord had insisted on retaining an appreciable amount of real authority, the charter merely granted a limited administrative autonomy, with freedom from the chief restrictions that made progress impossible. Where central control was weaker, or the new town very wealthy and powerful, local freedom was greater, until in some cases it approximated to virtual independence.

MUNICIPAL CHARTERS.—The charter granted by the King of France, Louis VI, to the town of Lorris-en-Gâtinais is often quoted as typical of hundreds of municipal charters of the twelfth century. The inhabitants are granted freedom from taxes on food, from all forced labour longer than one day, from all road

¹ Boissonnade, *Life and Work in Mediaeval Europe*, p. 192.

² King John of England (1199-1216), wholesale purveyor of charters, well illustrates how much good a bad king in need of money may do (Gras, *Introduction to Economic History*, p. 123).

tolls within a certain area ; no one going to or from the municipal market is to be stopped or interfered with except for crime committed on the very day. The King is to try cases in the town itself ; there is to be no special taxation outside regular dues ; no one who can offer bail is to be kept in prison ; everybody can sell freely, leave the town if he wishes, obtain citizenship rights after a year and a day's residence. Citizens of Lorrain are not amenable to the jurisdiction of royal officers in other neighbouring towns. To take another example, the charter of Norwich, granted in 1194, guaranteed to the town 'the customs of London' : the burgesses were to elect their own provost and to pay directly to the Exchequer a yearly rent of £108 ; they were not to be summoned to answer any plea outside the city.

The general result of the communal movement—the term 'commune' being the name applied to the new autonomous group—was the legal emancipation of many thousands of workers, perhaps a tenth of the whole population. The whole point of urban emancipation was precisely that all who came within the protection of the town became free, and that all citizens of the town enjoyed equal rights. As the German proverb said : 'Town air makes a man free,' and all town dwellers were liberated from the personal and economic restraints which kept the agricultural serf under the dependency of his overlord.

MUNICIPAL GOVERNMENT.—Freedom from outside control did not, however, solve the real problem of town government—namely, in whose hands was the effective control of the town's destinies to remain? This opens up the second phase of municipal struggles, internal conflicts between conflicting classes or conflicting sections of the same class. The first stage in emancipation had usually been the work of the gild merchant, *i.e.* of an organisation dominated by an aristocracy closely allied to, and indeed often directly linked with, the local landed aristocracy ; and in many cases this municipal aristocracy kept all powers in its hands for many a long year. Carefully organised into a closed corporation, it took all power to itself, reducing the elected assemblies to a purely passive rôle, seizing control of councils and courts, and tending to transform important offices into virtually hereditary property. In spite of their keen sense of municipal patriotism, they deprived the mass of the citizens of a real share in the management of affairs, made themselves into an arrogant and tyrannical class, and especially monopolised all real sources of wealth. Their gilds gradually acquired monopolies of all the most profitable trades and industries, levied tolls and imposed numberless restrictions, forbade associa-

tions of artisans, and generally sacrificed to their own interests and pride the interests of all the smaller and weaker folk of the town.

Revolt was sure to come from these oppressed yet legally free citizens. In some cases, the breaking up of this aristocratic monopolising of power came from a conflict within the aristocracy itself, such as the cloth merchants *versus* the victuallers, as in London. But more usually it was a revolt of the industrial classes against the sellers: handicraftsmen *versus* merchants, fullers *versus* cloth dealers. Here again association proved the condition of emancipation. Just as the individual merchants had to organise into guilds merchant before they could shake off feudal control, so within the town the various weaker interests found in their own guilds the key to freedom.

RISE OF THE GILDS.—Associations of workers in particular crafts were, of course, nothing new. We saw them in full swing in Rome, and wherever any specialised craft survived in the stormy Dark Ages it was usually because it possessed some kind of craft guild or organisation, very often under the protection of the Church. Guilds of boatmen and ferrymen seem to be found all over western Europe at all times; and we saw in the last chapter that in the ninth century Le Mans had fourteen craft guilds. These all helped in the early stages of the communal struggle, but in the background. But once city autonomy was obtained, the forming of guilds went rapidly ahead, and these became the normal framework within which all economic activities were carried on. Under various forms, the guilds soon tended to control the whole craft which they represented, whether trade or production. They fixed conditions of work, of entrance into the craft, of apprenticeship, of setting up as an independent master; at the same time they guaranteed the quality of the work done or of the material produced, and tended to regulate prices. Within the guild all those engaged in the craft had their place, from the wealthiest master to the youngest apprentice or humblest journeyman; ¹ and every form of occupation was included, from the lowliest forms of retail commerce or industry to the highest skilled and aristocratic calling of notaries, physicians, apothecaries, goldsmiths, and bankers. By the end of the fourteenth century the craft guilds had become the centre of municipal

¹ Many guilds were open to women, at least in the fourteenth century. We hear of women bakers, barbers, surgeons, brewers, carders, spinners. In the next century, however, the men began to fear their competition and we read of protests against 'men going vagrant and unoccupied because of weavers setting their women to work' (Bristol, 1461). At York in the sixteenth century no woman could learn weaving, though she could succeed her husband after his death.

life. Paris had 128 guilds in 1301; in London, where their number grew from 18 in 1180 to over 100 by 1400, no one could become a citizen who was not a member of a guild, and in most towns this condition was a practical if not a legal necessity. Guilds soon became juridical personalities with their halls, warehouses, chapels, seals, title-deeds and armorial bearings.

GILD CONFLICTS.—But these liberties were not obtained without conflict with the dominating merchant guild, a conflict which ultimately led, in some cases at least, to the complete loss of its control of municipal life. Strikes and revolts for a share in government are frequent all over the West from the middle of the thirteenth century. At Liège the crafts all united against provost and bishop. At Dinant the copper workers, and at Huy and Tournai the weavers, led the revolt against the guilds merchant. Flanders, in fact, was the battle-field of municipal democracy and of an incipient nationalism which led to defiance of the French king and to the widespread abolition of the monopoly of the patricians. Similar struggles took place in Italy, where most towns witnessed the organisation of the 'popolani' into militias under 'captains of the people,' and the ultimate annexation of political power by the craftsmen guilds. Much the same happened in southern France. But in many cases it should be noted that the craft guilds themselves represented an aristocracy of the workers; the mass of unskilled labourers remained outside and had no share in these victories or in the control of urban life.

The wars of the guilds against the urban aristocracy by no means represent the whole of their struggle for existence. They had to vindicate their rights against rivals of all sorts, against competitors from outside such as the monasteries, the craft workers in the manors, the free labourers whom the merchants often favoured as less rebellious than the organised goldsmen. Some of their duties, particularly price-fixing and the inspecting of goods, were often forced upon them by town councils representing the consumers' interest, rather than voluntarily assumed for the honour of the craft. They had to resist the attempts of the unskilled to enter the associations and thus obtain the privileges enjoyed by the more fortunate craftsmen. And, finally, they had to meet the challenge of other guilds whose work closely bordered on theirs. 'The bow-makers wanted no arrow-makers to make bows, and these were opposed to bow-makers making arrows. Shoemakers would not allow cobblers to make new shoes, and agreed in return not to mend old ones. Leather workers rivalled harness-makers, turners the joiners, and coopers the carpenters.' Weavers, fullers and dyers, drapers and mercers,

blacksmiths and handle-makers were in perpetual conflict, and interminable lawsuits arose out of the difficulty of determining respective spheres of influence. But those very rivalries proved the extent of the power of the new bodies.¹

CONDITIONS OF TOWN LIFE.—Freedom in association and strict regulation of almost every aspect of economic life thus went hand in hand. Freedom meant liberty to combine and thus obtain a great or small share of the authority that was to decide for whose benefit those rules were to be made and enforced. Professor Gras distinguishes three main types of municipal regulation. The first are simple laws of general application: weights and measures, care in driving through the streets, no adulteration of goods. Some of these might, however, give a special advantage to the citizens of the town over foreigners, *e.g.* in the matter of tolls, in the right to sell in the municipal market. The second class was made up of regulations passed by the craft guilds, such as the obligation to serve an apprenticeship, to stop work on Sundays and holy days, to adhere to certain standards of quality or methods of manufacture. The third class concerned the securing of adequate food supplies, price-fixing, preventing monopolising of essentials, or regulating conditions of sale. Prohibitions of sales of certain essential articles were frequent: 'No butcher,' said a London regulation, 'or wife of a butcher, shall sell tallow or lard to a strange person for carrying to the parts beyond the sea, by reason of the great dearness and scarcity that has been thereof in the City of late'; and similarly the carrying of malt or corn out of the city was forbidden under penalty of forfeiture.

The emancipation thus obtained by this combination of freedom in association and strict regulation of economic conditions brought about a real and lasting amelioration in the general conditions of town dwellers. 'The guilds protected the craftsmen from excessive competition, unemployment and over-production, from parasitic middlemen, from the manœuvres of speculators and exploiters of labour.'² If few large fortunes could be made, a fair competence could be assured to a steady skilled worker, and even the unskilled journeyman was tolerably sure of finding work in a trade where demand and supply did not experience any violent fluctuations. The hours of work, from eight to twelve a day in most trades, were not excessive

¹ 'The English people,' said a chronicler in 1453, 'consist of churchmen, nobles and craftsmen, as well as the common people' (quoted by Green, *Town Life in the Fifteenth Century*, vol. i, p. 60).

² Boissonnade, *Life and Work in Mediaeval Europe*, p. 220.

considering the absence of hurry and of noise from machinery ; night work was forbidden, and numerous feast days provided a number of holidays which, with Sundays, amounted to about a quarter of the year. Wages were also steady and corresponded fairly well with the cost of living, those of women and apprentices being roughly two-thirds of those of journeymen. Food was simple and housing conditions rough, but in mediaeval days nobody, however rich, was very particular on that head ; and the numerous bathing establishments, and the building of hospitals both by guilds and private individuals, indicate the spread of hygiene, although streets were filthy and pestilence still rife. Literacy was growing ; by the reign of Richard II in England it is clear that the ordinary townsman could read and write : ' There was in fact beginning,' says Boissonnade, ' the eternal complaint of the upper classes concerning the danger of popular education and the peril of taking people out of their class ; and a whole literature was created in order to satisfy the new intellectual aspirations of the townspeople—epics and romantic tales, mystery plays, gay comedies, satirical and sentimental ballads.'

SIZE OF TOWNS.—The rapid growth of towns during this period must not blind us to their essential smallness according to modern standards. Paris, it is true, may have numbered a quarter of a million about 1300, but very few other towns even approached six figures. Even Bruges and Ghent never exceeded some 50,000, and most of the important cities of the Continent, such as Strasburg and Nuremberg, numbered little over 20,000, while Basle and Frankfurt did not reach 10,000. In England, between 5000 and 10,000 was a more usual figure, though London numbered about 40,000. Their prosperity is again a point on which due proportions must be kept : in 1300 Colchester, with a population of 2200, had amongst its wealthiest citizens a butcher whose stock in trade was valued at under £8. In 1319 Bridport was even poorer, not producing a single properly armed burgher, while Reading in 1311 had only eight such.

TOWN AND COUNTRYSIDE.—Finally, it must be remembered that the town was rarely completely emancipated from the feudal and agricultural system. It did not need complete independence from a nominal overlord ; all it demanded was freedom from the manorial rules that would prevent the development of its trade : recognition of a legal dependence on lord or bishop to whom a tribute had to be paid involved no essential hardship. Communities, like individuals, could owe allegiance, and towns

could be carved out of feudal estates without causing the whole system to collapse.

Further, if the town continued to fit, though not always easily, into the feudal system, the break with the countryside was nothing like as complete as modern distinctions between town and country imply. Not only did the country stretch geographically right up to the very walls of the town, but within the city walls were gardens, orchards, vineyards, and even ploughed fields, while many town dwellers had some interest or part ownership in rural activities, whether cattle-breeding or cultivation. Many towns owned land: mediaeval Leicester had over 3380 acres of meadow and waste outside, and not less than 130 acres inside the walls. Most houses had cow-stalls, granaries, wine-presses; every town had its shepherd to look after the communal cattle. Most towns, even London, practically migrated to the countryside at harvest time because of the lack of workmen; and many towns had to pass stiff regulations about allowing pigs to run about in the streets.

The town was also closely connected with the neighbouring villages, on which it was dependent for a considerable part of its food supplies and raw materials, while depending on them as a market for part at least of its normal industrial production. In fact, apart from a few really big towns whose commerce was on a large scale, it can be said that town and adjoining villages formed a natural economic unit for trade and manufacture, self-sufficing except for a small and scarcely indispensable supply of luxuries and of raw materials not obtainable locally. But it would be easy to exaggerate even that degree of division of labour; as we saw a moment ago, a good deal of the food of the town would be found on the spot: fruits and vegetables in the gardens, wine-presses in the house, milk from a cow and eggs from hens kept at home. On the other hand, villagers often engaged in some forms of simple industry: much cloth sold in towns was woven in peasants' cottages (various kinds of cloth bear the name of the village in which they were first made—Kersey, Worstead); there was, in fact, a perpetual conflict between the regulated craft guilds and the free weavers in the villages, a rivalry which the cloth merchants knew how to use when trying to avoid the guild rules.

TOWNS IN SOUTHERN EUROPE.—This survey of town development applies particularly to the north of Europe, for in the south the destruction of town life was never as complete, the invasions not having penetrated so far. Southern towns therefore maintained right through the early Middle Ages a rich and full life,

and enjoyed as a rule more independence than their northern sisters. Marseilles and Arles, both powerful maritime cities with a continuous existence dating back to pre-Christian days, were completely independent republics at this time, though both were destined to be brought under the control of the French kings; while Arles had a big trade with Greece, possessing a special counting-house for Greek merchants, Marseilles had a flourishing business in the transport of pilgrims and crusaders to the Holy Land, and obtained trading privileges in the Christian kingdom of Palestine. Scarcely less important were Toulouse and Montpellier, who owed a merely nominal allegiance to the counts of Toulouse and Languedoc. In Italy, Amalfi, like Marseilles, represented the survival of a Greek city-state, having never lost her self-government and carrying on an extensive trade with the Near East. But the rising kingdom of Sicily was, by the twelfth century, to swallow up both Amalfi and her rival Naples, and indeed, as Professor Forrest observes, these Greco-Italian cities never belonged to the real life of Europe.

VENICE.—Far more important were Venice and Florence. Protected by her extraordinary geographical situation, Venice, established in the fifth century by refugees from Aquileia on the mainland, fleeing from the approach of Attila the Hun, was an important city a hundred years later; and by the tenth century she had become the dominant power on the Dalmatian coast, with trade relations extending to Syria, Persia, Spain and England, as well as the whole Mediterranean and the Black Sea. Venetian galleys kept up a regular trade with the British Channel and North Sea ports, bringing silks, spices, cottons, currants, glass, sugar and molasses, and carrying back wool, tin, pewter platters, dressed skins, cutlery and thread. Venetian merchants organised caravans and opened up trade routes over the mountains into Switzerland, Germany and Austria, establishing Venetian trade centres in Bruges, Augsburg and Nuremberg. At the height of her power Venice possessed, according to one of her Doges, 'three thousand small and three hundred large vessels, with a total of 25,000 seamen; 45 large ships were launched every year, in the building of which 17,000 men were employed. There were three thousand silk and sixteen thousand woollen cloth weavers; house property was worth seven million ducats, and there were over a thousand citizens whose income exceeded a thousand ducats.'¹ Venice was a manufacturing as well as a trading centre, specialising in glassware, bell-making, and cloth of gold, *i.e.* ecclesiastical luxuries. Politically she was

¹ Selfridge, *The Romance of Commerce*, p. 59.

an independent republic, based on Roman models, in which all power belonged to her industrial and commercial classes. But although never out of contact with Europe, she remained geographically on the edge of European life, and her membership of the Catholic Church did not prevent her being in frequent conflict with the Papacy and often sympathising with the Moslems to the east and south rather than the Christians to the west and north.

FLORENCE.—Florence was a much more typical mediaeval town. We know nothing of her exact origins, but by the tenth century she was already a big city, with a number of guilds on which the whole organisation of the city was based, and which directed its policy. By the fourteenth century seven major guilds really ruled the town: judges and notaries, cloth-makers, wool dealers, silk workers, money changers, doctors and druggists, skinner and furriers. The fourteen lesser guilds were the linen-makers and mercers, shoemakers, smiths, salters, wine sellers, innkeepers, harness-makers, leather dressers, armourers, iron-mongers, masons, carpenters, and bakers. These minor guilds, less important though more numerous, were often supported by the nobility who lived outside the city and were denied all political rights; they were used by it to defeat the monopoly of the major bodies. The Medici family were to rise to power in that way, profiting from the commercial decay of the fifteenth century. The account of that decay, which affected not only Florence but all the Italian cities, belongs to the next chapter, but by the end of the fourteenth century the greatest days of Florence were over. It is true that as late as about 1490 she still boasted of numerous silk factories, banks, warehouses, workers in precious metals, cabinet-makers, stone cutters, and makers of such luxuries as perfumes, tennis bats, masks and veils, but the Florentine wool trade, once supreme, was being defeated by the wool trade of England and Flanders, where the quality of the wool was better; Florence was being slowly strangled by competitors who had often learned the rudiments of their trade at her own hands, whether in the city itself or by the instrument of Florentine workers settled in Flanders. Florentine bankers, once the pioneers in the art of high finance, were now being deprived of their supremacy by the new banking firms springing up in most European towns. And all the Italian cities suffered from their excessive reliance on their quasi-monopoly of the trade in luxuries from the East; competition arose, partly among themselves, partly between them all and new traders from the north, attracted by the enormous profits

to be made. Incapable of organised co-operation, the Italian cities were destined to a rapid decline.

BYZANTIUM.—We had concluded our picture of feudal Europe in the tenth century with a reminder that, during all those centuries in which the civilisation of Roman Europe had been at such a low ebb, the essential features of the glory that was Rome were to be found in the old Eastern capital of Byzantium. But the situation was now changing: Byzantine influence had been steadily weakening for the last two or three hundred years. The conquest of Asia Minor by the Turks, a sign of the future fall of Byzantium itself, had deprived the Eastern kingdom of great sources of men and wealth. The State was weak, as its overthrow by the crusaders in 1204 showed: it had no longer the army, navy and administration that would enable it to survive any great shock. A new feudal class, formed by the fusion of the old territorial nobility with the newer administrative aristocracy, built up great domains partly with gifts from the State, partly by the expropriation of small freeholders. This feudal class emptied the State of all real authority and also submerged the middle class of free peasants and rural bourgeoisie. Thus, villeinage and serfdom grew in the East just when it was disappearing in the West. These changes, coupled with weak government and with wars against Bulgars, Latins and Turks, caused a rapidly diminishing economic production; the soil was soon no longer able to feed its inhabitants, industries were being killed by competition from the West. Italian traders replaced Byzantine all over the Near East, and internal struggles completed the downfall of the once great cities of Salonica and Adrianople.

This slow collapse of Byzantine power might have meant ruin for the vast areas of central and eastern Europe which had looked on Byzantium as their centre of culture and civilisation, had it not been for a large influx of western settlers. Colonists from Germany and the Low Countries, monks from France, peasants and minor country gentry flocked into Bohemia, Moravia, Hungary, Poland, Transylvania, Lithuania, Prussia and Livonia, often at the summons of kings or bishops. The original native population suffered, of course, from invasions that often deprived it of its land and reduced it to a servile status when it did not exterminate it; but the economic productivity of the soil was enormously increased: agriculture and cattle-raising were so developed that by the thirteenth century those once undeveloped areas were feeding a population as dense as that of Germany. Commerce followed those new settlers; the great

rivers became caravan routes, and what were once primitive villages were now the great fairs of Breslau, Frankfurt-on-Oder, Prague, Cracow, Kiev, Novgorod, Riga, Dantzic. Miners exploited the lead of Serbia and Bosnia, the silver and tin of Bohemia, the iron and copper of Serbia, the salt of Transylvania.

That is not to say that central and eastern Europe could compare with western Europe in urban and commercial development. It remained primarily agricultural, and most of its towns—outside the great trade routes—were little more than fortified villages, whose bourgeoisie played no leading part in political life. But it does mean that by the fourteenth century a great dividing line had disappeared. Collective tribal property, once a characteristic feature, had given place to private property in land, not indeed to the advantage of the small farmer as in the West, but to that of kings, lords and Church. Masses of once free peasants had become villeins and serfs.

§ 4. MEDIAEVAL AGRICULTURE

The very factors which caused the revolution in trade and industry had, of course, their repercussion in agricultural work and rural life. This revolution had tended to stimulate the demand for more goods, and to produce a surplus over what was needed by the producers. The possibility of disposing of such a surplus in agriculture stimulated the search for a better technique, for a greater yield per acre, and this increased the value of land: it is calculated that land rose in value from five to twenty times between the ninth and tenth centuries. With this went, of course, a sharp rise in the value of agricultural produce. These increases naturally intensified the process of land reclamation, so that the area of waste and forest was rapidly decreasing, with a corresponding increase in general security.

EMANCIPATION OF THE PEASANTRY.—The greatest change came in the status of the people connected with the manor. At the top vassalage had disappeared or was disappearing, and the lord of the manor was becoming an effective owner of the estate. At the other end, the number of freeholders was rapidly growing, and that of the serfs and villeins correspondingly diminishing.

This change came about from a variety of closely interrelated circumstances. The development of trade and industry gave opportunities for a new livelihood to any who wearied of the limitations of agricultural life: hence a decrease in the amount of labour available, and the possibility for those who remained

of bettering the conditions of their employment. The increase of ready cash also acted in the same direction in a variety of ways. Anxious to have more money with which to purchase the many new goods now obtainable, the lords would be more than willing to allow cash payments instead of services, and the tenant would easily obtain this cash by selling in town or market the surplus of his produce, for which there now existed a brisk demand. Thus, there soon grew up a regular cash equivalent for every form of feudal service, and tenants chose this all the more willingly that in their eagerness for money and their ignorance of its laws the landlords tended at the start to fix cash equivalents too low, and as money steadily lost in value with increasing availability, so did compensation for feudal services become steadily cheaper in relation to the cost of living.

Other forces of emancipation were also at work. Just as slavery had practically disappeared, both because of its growingly uneconomic character and of the disapproval of the Church, so did serfdom, already doomed by economic circumstances, appear more and more incompatible with growing Christian standards : emancipation of serfs is often met with as a penance, or in fulfilment of some vow. Less idealistic but not less effective was the support given by the kings to peasant emancipation, in their realisation that this weakened the political power of the baronage. Finally, the desire of the peasants themselves for freedom proved at times irresistible : where purchase and voluntary bargaining failed, violence was resorted to, often with success. Riots were frequent all over western Europe, organised by regular associations of peasants in ' *confréries* ' and rural unions, the heralds of the great peasant risings of the next two centuries.

The substitution of cash for services naturally took many forms and was gradual, but it had succeeded, by the middle of the fourteenth century, in replacing over the greater part of Europe a mainly servile population by a new population of peasants on some form of free tenure. In other words, the former exception became the rule. The rights to hunt and fish, to move, to dispose of one's tenancy, to marry freely, to sue in courts of law, to bequeath property, became widespread ; villages became free to organise their life by electing officers to look after the affairs of the community : many of them thus became almost small self-governing towns, often fortified, and only distinguished from cities by the fact that the vast majority of the inhabitants were engaged not in trade or industry but in agricultural work outside the walls.

NEW RURAL CLASSES.—There was thus growing up a new rural class, the most important among whom gradually obtained

not only freedom but wealth and complete ownership of land ; they formed a minor country gentry, whose children entered business or the Church, and were the backbone of the new administrative systems being built up on the ruins of feudal organisation. In some cases they married into the nobility, with which they gradually merged. Lower down the scale were tenants, farmers, yeomen, freeholders who carried a good deal of minor administrative work, voted in England in Parliamentary elections, and mixed socially with the minor gentry. They held their land on free tenure, could own, mortgage and bequeath property, and could not be evicted as long as they paid their rents. Some held the land on an indefinite lease : in England these copyholders held one-third of the soil. In some countries leases were short but renewable. In others there grew up the system of ' métayage,' in which landlord and tenant shared the produce, the tenant holding on a long or short lease, and the lord sometimes providing part of the stock and seed ; this system, very frequent in France and Italy, was capable of great variations and provided, in many cases, an easy transition from serfdom to free tenure.

At the bottom of the scale we find a new class of agricultural workers, still technically free, but whose lot was often scarcely preferable to that of the former serf—a class of wage-labourers with no claim on the land, who did the kind of unskilled work that used to be done by the lowest class of serf or slave : oxherds, swineherds, carters, manual servants. These were now hired by the month or the year ; their wages were very low and their material condition poor, but they were legally free to move and change masters. Thus, in the main, the lot of the peasants had undoubtedly improved during the last five centuries. Many of them had become prosperous, some wealthy even ; the majority had been able to gain substantial benefit from the changed economic conditions. Wages were very low—a few pence a day—but so was the cost of living. When a tunic cost threepence or fourpence, clogs sevenpence, and food was abundant, low wages need not mean starvation. Famines became much rarer, casual fighting less frequent ; a large number of new villages and hamlets sprang up all over the West. Cottages, of course, were rough, conditions of living coarse, though in marked advance on earlier times ; and progress was by no means simultaneous in all countries, nor uniform in any ; but the spirit of independence and self-respect was rapidly developing, and the vast number of peasant associations, for poor relief, for common work, for entertainment, and even, at times, for defence of interests and rights, make of the later mediaeval peasant a very different person from the feudal serf.



AGRICULTURE IN FOURTEENTH CENTURY, FROM THE LUTTRELL PSALTER
From Quennell's *Everyday Things in England*. (Batsford.)

§ 5. THE MEDIAEVAL CHURCH

POWER OF THE CHURCH.—Among the important results of the eastward urge of Western civilisation, mentioned in the previous section, was the spreading of Catholicism over large areas which had been hitherto barely touched by Christianity. Territorially, as well as in every other sphere of life, the Church had reached, at the end of the thirteenth century, the apex of her power and influence. Never before or since has she controlled so completely the life of the community ; never has her teaching been so definite, and so unquestioned. Whether we take the Emperor Henry's humiliation at Canossa, or King John's surrender of his kingdom of England to the Papacy, or that great enterprise of Western Christendom at its best and worst, the Crusades, or those Gothic cathedrals which represent perhaps the most inspired moment of ecclesiastical architecture, or the theological monument of Scholasticism, or the founding of universities and other centres of learning all over Catholic Europe—all and any of these reveal the extent of the influence which the Church exercised over mediaeval life.

THE CHURCH AND AGRICULTURE.—Bound as we are to confine ourselves to the economic aspect of this influence, we shall briefly



PAYMENT OF TITHE (AUGSBURG)

From Coulton's *Medieval Village*. (Cambridge University Press.)

survey it under three main headings : agriculture, commercial and urban development, and education. We shall note first of all that the Church's power as a landlord was constantly increasing.

Growing in wealth and influence, the once poor religious orders rivalled the chapters and bishops in the acquisition of land. The Cistercians built up such huge estates that they admitted that their passion for property had become a disease; the Knights Templars owned over ten thousand farms; the abbey of Prüm 1500; the abbey of Huelva over sixty townships. The Teutonic Knights owned virtually all Prussia; half Livonia belonged to the Bishop of Riga. In Spain the Church owned a fourth of the soil, in England a fifth, and a mass of legislation, statutes of mortmain, etc., was being built up in most countries to deal with the problems created by an owner of land who never died, never alienated by marriage, never gave away and rarely sold. But such legislation could avail but little; ecclesiastical property steadily grew, and in many countries was far greater than that of the Crown. On the whole, however, the Church may be said to have remained among the most enlightened of landlords; after some hesitation she supported the movement of rural emancipation, and continued to use a considerable part of her immense revenues in relief of the sick and poor and in education.

THE CHURCH AND COMMERCE.—In the sphere of commerce the Church played a number of contradictory parts, which did not always harmonise. Along some lines her influence was a real factor in economic progress: many crafts and industries were created and developed in the monasteries; cathedrals were often the centres of a busy trade and became the nuclei of future towns; the building of churches stimulated the demand for many kinds of goods; pilgrimages kept trade routes open in spite of many obstacles.

On the other hand, the checking of competition by the doctrine of fair price, based on wrong economic conceptions, however well meant, the discouragement of interest and loans, the general tendency to surround the exchange of goods with a mass of hampering regulations—all this tended to counteract the encouragement given in other directions. It may be said that on the whole the Church naturally had to follow the general economic evolution of the age, but was often puzzled at some of its aspects, which seemed to contradict her fundamental respect for poverty and simplicity of life. 'The mediaeval Church,' says Tawney, 'was an immense vested interest implicated to the full in the economic fabric, especially on the side of agriculture and land tenure.'

SLOWNESS OF ECONOMIC PROGRESS.—This hesitant attitude of the Church goes a long way to explain the fact that the progress

described in this chapter was, after all, comparatively slight. 'Measured by strict economic criteria,' says Dr. Cunningham, 'it may be doubted if the civilisation of the thirteenth century had made any advance on that of the Roman Empire in its best days'; and Professor Forrest confirms this view.

What was the reason for this slowness of advance? Very largely the absence of anything that may be called economic policy. There was little, if any, idea of an aim to be achieved by deliberate effort. Things just happened, by the will of Providence or by chance, according to the philosophy of the individuals concerned.

This indifference can be explained partly by ignorance of any laws of economics, or of the consequences of any particular measures. Customs and tolls were only concerned with revenue, and even complete embargoes were purely political measures. There is little conception of encouraging a national industry by tariffs or prohibitions; if the latter are resorted to they are merely emergency measures to prevent a shortage of some essential article. There is no real understanding of the economics of exchange as a transaction in which both parties gain; underlying all is the doctrine already alluded to of the fixed value of each article, irrespective of any circumstances of supply or demand. This, coupled with a strict insistence on ethics as the basis of every transaction, makes free bargaining impossible; regulations hamper 'normal' trade and interfere with what are commonly called 'economic laws.'

MEDIAEVAL ECONOMIC CONCEPTIONS.—All this was really bound up with the fundamental metaphysical conception of the Middle Ages—its idea of a 'given' ideal state of things to be realised as closely as possible. Hence the striving for a just price, for the ideal state, for the perfect finite system of thought, achieved, as it believed, in Scholasticism. There could be no compromise, no give and take: everything was defined in rigid categories, just as everybody must be included in some group that was responsible for him and through which alone he could express himself.

In these generalisations we are, of course, making the very same mistake for which we blame the Middle Ages: we are putting down as definite and static what is, by its very nature, perpetually changing and evolving. Scarcely have we laid down the main features of mediaeval economic life than we have to indicate how quickly it was moving to another stage of development. We have been analysing the forces which had been breaking down feudalism: the spread of money payments, substituting paid agricultural and military service for personal

obligations, the expansion of trade, the rise of the towns, better communications, new material inventions such as gunpowder, new political conceptions, such as the sense of national unity. But these forces had scarcely achieved the destruction or, rather, the decay of the Feudal System and its replacement by the town economy of the later Middle Ages, than they were undermining this new system in its turn and rapidly ushering in another era.

But, while keeping always in mind this essential law of the perpetual transformation of all human things, mediaeval civilisation nevertheless stands out with some essential features, which can best be summed up in the word 'unity.' First, unity of culture: one Church, one language as the medium of intercourse between all men of education, one educational system, all of these independent of the accidents of political barriers. Next, unity of life, the greater part of Christendom being at much the same stage of economic and political development, evolving along parallel lines at a fairly uniform pace, with the help of institutions that differed as yet but very slightly from country to country. Lastly, life itself as a unity: no attempt to separate it into compartments marked 'secular' and 'spiritual,' 'national' and 'foreign,' 'business ethics' and 'personal morality': the same general conceptions claim to regulate the conduct of kings and merchants and private individuals in their personal relationships. That mediaeval life succeeded in realising thus fully this ideal of unity, no one would seriously contend;¹ that even as an ideal it might lead to some narrowness and rigidity of life can easily be admitted; but that in its aims, and even in its achievements, considering its limitations and capacities, it was inferior to the principles of differentiation and competition that were to mark the next stage is certainly open to question.

¹ 'The values of Christian ethics have never penetrated deeply into the collective judgment of mankind; even in the mediaeval bloom of Christian or rather of ecclesiastical culture, the moral conceptions of Christianity remained the possession of a few chosen spirits and communities; society in general accepted the mythical element, did homage to the hierarchy and remained ethically pagan, the upper classes being guided by a code of honour resting on the worship of courage' (Rathenau, *The New Society*, p. 134).

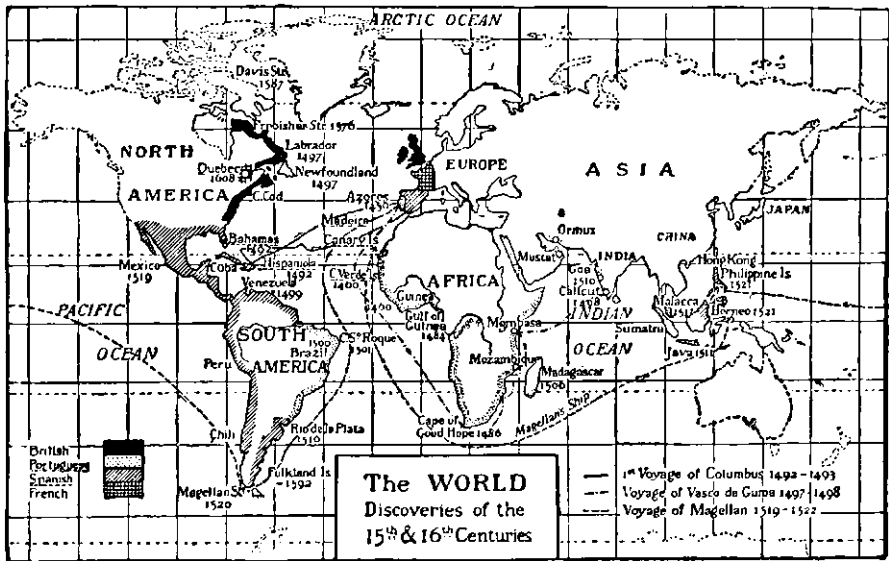
CHAPTER IV

THE AGE OF EXPANSION

§ I. GEOGRAPHICAL DISCOVERY AND THE NATIONAL STATE

IN our last chapter we saw that the rise of towns and the development of European commerce were the characteristic features of the late fourteenth century. If we take our stand some two hundred years later, we are immediately struck with the great increase in the size of the economic world.

A BIGGER WORLD.—The world of the fourteenth-century merchant had been in extent the same as the world of the Roman



From Waters' *Economic History of England*
(Oxford University Press.)

business man—if anything it had been smaller, for the *pax Romana* had enabled trade to be carried on with regions which insecure communications had later virtually closed to European commerce.

Europe, southern Asia and northern Africa made up the mediaeval universe. By the end of the sixteenth century the world had become, at least in its outlines, very much what we know it to-day. The American continents and islands had been discovered in 1492; the Cape of Good Hope had been reached in 1486, and circumnavigated in 1498; and the earth shown to be spherical, not flat, by Magellan's sailing round the globe in 1522. A single generation of pioneers had sufficed to bring about a geographical revolution.

Curiously enough, none of the peoples used hitherto to sailing and to distant travel took the lead in these discoveries: this belonged to the Portuguese and the Spaniards, whose geographical position on the extreme south-western edge of Europe was, of course, particularly suitable for the exploration of new routes to the west and south. The determining factor in the primacy of the Latin kingdoms in exploration was not geography, however, but, as so often happens in history, the vision and energy of an exceptional man. Henry, fifth son of John of Portugal and of Philippa, the daughter of John of Gaunt, 'a studious young prince, whom the hard-headed merchants of Venice or Lübeck would have despised as a theorist and a dreamer,' as Mr. Fayle describes him, felt sure that a direct sea route to India existed; and, realising that no exploration was possible without better ships and more scientific navigation, he founded a shipbuilding yard and a navigation school. Once adequately equipped, he set out southwards, and before his death in 1460 the Portuguese had reached Sierra Leone and the whole process of expansion had been launched.¹

WHY EXPLORATION DEVELOPED.—Thus, it was not by 'accident' that new worlds were discovered, either by Columbus or by any other explorer. The idea that the world was round, and that India could be reached by sailing westwards, was beginning to be widely held by the fifteenth century; and the originality of those pioneers lay in their being courageous enough to risk their lives for the proving of the theory, not in the theory itself. If America had not been 'discovered' by Columbus, it would have been stumbled upon by some other navigator. And if 'accident' does not explain fifteenth-century expansion, neither does love of adventure, although it certainly played some part; so did the religious motive of converting to Christianity all these peoples whose existence was being gradually realised. The really determining factors were, on the one hand, the growth of scientific

¹ For the career of Prince Henry the Navigator, see Professor Beazley's biography in the *Heroes of the Nations Series*.

knowledge, making possible a clearer understanding of geography, and a more accurate control of ships, weather conditions, currents, etc., and, on the other, the economic necessity of enlarging the existing boundaries of the world of commerce. 'Tapping the wealth of the East by way of the narrow apertures in the Levant, it resembled, in the rigidity of the limits imposed on its commercial strategy, a giant fed through the chinks of a wall. The narrow framework of the mediaeval world had been a home; in the fifteenth century it was felt to be a prison.'¹ Stated in more concrete terms, the forces of expansion seem to have been as follows: First, the desire for better communications with the East, the delays, complications and costs of the overland caravan route becoming increasingly wasteful and burdensome to an expanding trade. Secondly, the threatening of the northern route by the rapid expansion of Turkey which culminated in the capture of Constantinople in 1453. Although the importance of this factor has been greatly exaggerated, it cannot be altogether ignored, as a psychological at least, if not as a physical, barrier. Thirdly, an increasing dissatisfaction with the Italian monopoly of the Eastern trade, its high freights and annoying restrictions, and the refusal of the growing young Western nations to allow Venice and her neighbours to enjoy any longer the monopoly of the rich profits to be made. Fourthly and lastly, the need for more currency; the inadequacy of existing supplies to meet the demands of expanding exchanges was a constant problem, and the more intensive exploitation of existing mines stimulated rather than satisfied the demand.

POLITICAL READJUSTMENTS.—These great economic changes were accompanied by a series of changes in political organisation which also deserve the name of 'revolution.' This political revolution is the breaking up of the whole framework of mediaeval society based on a unity of general civilisation—religion, language, culture—imposed upon a piecemeal political system, in which small areas formed autonomous or even independent units, largely economically self-sufficing. But two sets of forces had been simultaneously at work in opposite directions: on the one hand, the multiple little barriers which kept mediaeval Europe divided into innumerable little fiefs or free cities were breaking down; on the other hand, new barriers, fewer in number but far more formidable in height and powers of resistance, were re-dividing modern Europe into independent sovereign states, each of them intent on its separate destinies and distinct policy. This is not the place to examine what the political, religious

¹ Tawney, *Religion and the Rise of Capitalism*, p. 68.

and cultural forces were which thus remade the map of Europe in the fifteenth and sixteenth centuries. We may just mention, first, the transformation of a variety of rough dialects into a limited number of literary languages which rapidly drove out Latin as the common language of all educated persons ; secondly, the emergence of that peculiar common consciousness which we call nationality, of which perhaps the first unmistakable manifestation is to be found in the career of Joan of Arc and the subsequent expulsion of the English from France ; and, thirdly, the smashing up of Catholic unity by the Reformation. All these are forces whose constant pressure the student must always bear in mind. Economically, the emergence of the national State broadened in one sense the internal market, but it is also true to say that commerce, bursting the bonds of mediaeval urban and feudal economy, also broke down the barriers of the political units on which this economy was based, and forced the political structure to adapt itself to new economic forces.¹

THE NATION AS AN ECONOMIC UNIT.—Here an interesting point arises, which we shall have to consider more fully in its present-day aspects, but which is worth briefly raising here. These new economic activities, this enlarged commerce, corresponded very imperfectly to national divisions. Commerce was virtually world-wide, not nation-wide, and the political system which it logically fitted was a world-State, not a national State. Why was this movement of adaptation so completely arrested that even four centuries later economic nationalism is still one of the biggest obstacles to world prosperity ?

Several answers can be given to this question. The first is, that economic planning on a really large scale demands a technique and an authority which no sixteenth-century government possessed : another, that the passing from the local to the national market was such a liberation that its inadequacy was not realised for many a long year ; and, when it was realised, national boundaries had become so rigid that their removal was a superhuman task. While it is true that political organisations adapt to economic needs, the fact remains that they cannot keep pace with economic transformations, and nearly always represent an economic stage which is either rapidly passing or has passed.

¹ ' We have already noted the tendency of political structure to conform to the economic division of function. The feudal organisation, which meant the *disintegration* of Europe, had arisen because it corresponded to the economic organisation of the manor. Again, when the economic activities went beyond manorial groups, the latter decayed, and a movement began in the direction of a larger political organisation which would correspond to the larger economic activities' (Forrest, *Development of Western Civilisation*, p. 271).

Finally, it would seem that the national State was the adequate expression of certain other needs—emotional, religious, cultural—differences of geography, language, tradition, race, ways of life and thought—needs which economic interests could not wholly transcend. For all those reasons the national State became gradually accepted as the framework of modern Europe.

BROADENING OF MARKETS.—Coming back to the sixteenth century, we turn now to some of the economic consequences of the emergence of the national State. The first and most obvious of these is the enormous broadening of markets, both internal and external. Instead of tiny communities, endeavouring to maintain as complete an economic independence as possible, appear large areas, within which one currency circulates, one commercial legislation prevails, and goods can as a rule be freely moved and exchanged.¹ Mediaeval economic life had been expressed in terms either of a feudal domain or of an autonomous city. It is now expressed in terms of the State, and beyond the new states lie whole new worlds, with apparently inexhaustible riches and unlimited markets, of which each State is going to try to obtain the largest possible share.

For with the State comes that very conception which the Middle Ages lacked, the conception of a general economic interest. This interest is to be pursued by a deliberate policy, formulated and carried out by the government as representing, in theory at least, that general interest against the sectional aims of merchants, towns, guilds and manors. In Europe as we last saw it, conceptions of 'English trade,' 'French trade' scarcely existed: now, these are not merely conceptions but hard realities of economic organisation. And these new realities expressed themselves in policies which were the counterpart in economic life of independence in political life. 'One State, one Church, one Workshop' is a striking formula² expressing the Tudor ideal of religious uniformity, political homogeneity and economic self-sufficiency; and the Tudors were only typical sovereigns of their day.

ECONOMIC NATIONALISM.—The earliest manifestations of this 'economic nationalism' are to be found at the end of the fourteenth century, when in 1381 Richard II of England passed the famous Act to 'increase the navy of England which is now greatly

¹ 'A country has been defined for economic purposes as a territory through which there is a free flow of labour and capital' (Cunningham, *Growth of Industry and Commerce*, vol. ii, p. 158).

² Used by Professor Ernest Barker in a course of lectures.

diminished,' forbidding his subjects to ship any merchandise in or out of England except in vessels 'of the King's liegeance': in 1389 the Act was modified, only compelling the use of English vessels if the owners were willing 'to take reasonable gains for the freight of the same.' These measures fell into disuse; others of the same kind followed at intervals with no better success, and all Navigation Acts were repealed in 1559; so was, in 1563, another Act, also a dead letter, which gave the English ships the monopoly of carrying wines from Guyenne and Gascony. But these English Acts were not alone of their kind; Louis XI of France endeavoured to protect French shipping by enacting that foreign ships would not be allowed to import spices unless they belonged to the country of origin of the goods: in 1500 Ferdinand of Spain took a similar measure. But this naval nationalism was not destined to succeed; it was premature, no country being as yet able to put on the high seas a fleet adequate to its total trade.

Navigation Acts are not, however, the only symptom of this nationalist policy. We have already noted how the exporting of certain necessities was frequently prohibited, either temporarily in times of scarcity, or permanently. It remained to forbid the importing of goods that might compete dangerously with domestic manufactures. Protective duties appear much at the same time as navigation acts: Richard II of England endeavoured to check French importations; Louis XI of France was concerned with the entrance into his country of woollen and silken cloths that could be made at home; and their respective successors were responsible for a long series of similar measures, passed, as a rule, in pursuance of requests made by Parliament or the Estates-General. In 1440 the Statute of Employment enacted that 'foreign merchants bringing goods into England should convert all monies received for their sale into English goods, but that English merchants selling goods abroad must bring back at least part of the proceeds in cash.'

BEGINNINGS OF MERCANTILISM.—The significant feature of this protective policy lies, however, not so much in its outward manifestations, important as they are, as in the motives put forward as its justification. 'We have been informed,' says Louis XI in an ordinance of 1466, 'that owing to the need for seeking outside the Kingdom for cloth of gold and silk, there goes out from this Kingdom some four and a half million écus, which is a great loss to ourselves. Therefore, in order to prevent this great exit of gold and silver which takes place every year, we have ordained the establishment in Lyons of silk and gold cloth

manufacture' ; and the French king is only echoing the point of view expressed in England some eighty years before by Richard Ailesbury, money officer : ' As to the fact that gold and silver come not to England while that which is in England is carried abroad, if the merchandise exported from England be well and justly governed, the money which is in England will remain and great plenty of money will come from abroad. It must be ascertained that no more foreign merchandise come within the realm than the value of merchandise of this country that goes out of the realm.'

The essence of this national policy is therefore an attempt to control foreign commerce so as to avoid two things : first, an unfavourable balance, which would take out of the country more currency than entered it ; secondly, the buying abroad of anything that can be made at home, partly for the sake of remaining independent of foreign supplies, partly also because unnecessary purchasing abroad means an exporting of gold and silver without adequate justification. It is this insistence on the danger of diminishing the national reserves of currency which constitutes what is called ' Mercantilism,' in opposition to modern Protectionism. The term is really used to cover two distinct policies, ' Bullionism' and ' favourable balance of trade' ; the first, which dominates in the sixteenth century, tends to concentrate on precious metals as the sole real wealth, and therefore to recommend any measures which would leave intact the national hoards of precious metals ; the second, which is that of the seventeenth century, sees that Bullionism takes too narrow a view of the nature of wealth, and is content to allow certain essential imports, provided that their total is less than that of exports.¹ In practice, however, both policies adopt the same kind of rigidly protectionist measures and tend therefore to be confused ; both hold the amount of world commerce and wealth to be limited, and consider therefore that one country can only develop at the expense of another ; both are anxious to guard the country's supply of precious metals.

§ 2. THE COMING OF CAPITALISM

SHORTAGE OF PRECIOUS METALS.—' Everything is to him that has money. Money is a real Proteus, changing into all that you will : it is bread and wine, it is cloth, it is a horse, a house, a

¹ ' The ordinary means to increase our wealth and treasure is by foreign trade, wherein we must ever observe the rule, to sell more to strangers yearly than we consume of theirs in value' (Thomas Munn, *England's Treasure in Foreign Trade*, 1617).

town, a promise, and even sometimes, God forbid, a mitre and a crozier. Money is potentially everything.' This hymn to gold, of a French civil servant, Scipion de Grammont, expresses with striking emphasis a point of view which, in this age of collapsing paper currencies, strikes us as less absurd than it did our fathers. Precious metals to a sixteenth-century prince meant soldiers, ships, bribes; to all and sundry they were a non-perishable form of wealth. Gold and silver gave Spain, for a number of years, a political influence out of proportion to her meagre natural resources; their possession laid later the foundations of Dutch and English economic power; the lack thereof crippled Louis XIV in his struggle against the coalition of the Banks of Amsterdam and England. 'Gold by itself is not enough,' concludes M. Morini-Comby, whose arguments we have been summarising, 'but no permanent power has ever been exercised by nations or groups deprived of it. The childish arguments of Bullionism, the inadequacy of its policies and measures, must not lead us to forget that the aim pursued met a real need, and that, if expressed in more accurate terms, the basis of the policy was sound. Does not the power of political organisms, the efficiency of their policy, depend on the wealth they control and on their wisdom in using it? This will be even truer to-morrow than it was yesterday.'

The new national policies turned, as we have just seen, on the maintaining of an adequate supply of metal currency, the perpetual shortage of which had been one of the chronic problems of mediaeval finance. Although all available mines had been exploited, and every effort made to prevent the wastage of precious metals, the supply available was never adequate for the growing number of transactions in cash which had superseded the mediaeval system of payments in kind or in personal services. The situation became steadily worse when small permanent armies began to replace the practically self-supporting feudal levies. 'It was raising ready money for war which first set the stone rolling that shattered the colossus of scholastic teaching on usury,' says Ehrenburg;¹ 'not less than twenty-three million gold crowns were spent yearly on the Spanish army in the Netherlands—more than the whole yearly

¹ The following were the chief coins in the sixteenth-century currency:

Gold: The English noble of 6s. 8d.; ducats of Venice, Florence, Genoa, worth from 7 to 9 shillings; florins of the Rhineland, Denmark, Burgundy, of about the same value.

Silver: Testoons and shillings worth from 12 to 15 pence, silver florins of 12 to 20 pence; groats of Flanders, deniers of France worth 3 to 4 pence. After 1550 came the Spanish silver dollar, or 'pieces of eight,' worth about 4s. 6d. (Gibbins, *Industry in England*, p. 88).

revenues of the country.' All kinds of measures were taken to deal with the shortage. Laws were passed to prevent the export of precious metals; coinage was clipped and adulterated so as to keep its nominal value while decreasing its contents of actual metal; and yet the shortage continued. Then, about 1520, and more abundantly after 1545, gold and silver began to pour in from the newly discovered and apparently unlimited treasures of the New World. Between 1500 and 1550 the annual output was roughly tripled; between 1520 and 1600 probably over a billion dollars—£200,000,000—of new money metal was minted, most of which went into circulation as coinage, the total stock of which probably increased twelve-fold during the century. In 1500 the average annual accumulation was around a million pounds sterling; but in 1580 it was four times as much. It was, of course, impossible to throw those huge sums of metal into circulation without causing deep disturbances in the economic system. One of these was a rise in prices, which we shall study later, and a revolution in financial organisation, which we call the coming of capitalism.

WHAT IS CAPITALISM?—At this point a definition is needed of the term 'Capitalism.' The mere accumulation of movable wealth has, of course, always existed, but in ancient times—even, as we saw, in Imperial Rome—land, not movable wealth, was the form of property which predominated and fixed the economic structure of society. This is even truer of feudal times. There are two distinctive features of the capitalist stage of social evolution: first, the existence of large amounts of movable capital, sufficiently large to play an important part in determining economic policy; and, secondly, the deliberate storing up and using of this capital for the express purpose of increasing wealth and stimulating the various processes of wealth creation.¹ In other words, the essence of capitalism consists in the use which is made of accumulated wealth, and we can therefore distinguish between *commercial* capitalism, in which wealth is mainly used for the expansion of trade; *financial* capitalism, in which money is an actual commodity, to be lent, bought and sold; and *industrial* capitalism, in which capital is primarily used for the control of industrial production.

The beginnings of commercial capitalism in the Middle Ages

¹ 'Capitalism is the system in which wealth other than land is used for the definite purpose of securing an income' (Packard, *The Commercial Revolution*, an excellent sketch). See also Sée's *Origins of Modern Capitalism* and Cunningham's *Western Civilisation*. There are also some suggestive pages in Weber's *Economic History*, pp. 275–80. According to Marx, 'world-trade and world-markets inaugurate in the sixteenth century the modern biography of capital.'

are of course entirely bound up with the expansion of trade which we surveyed in our last chapter. A considerable mass of capital flowed into Italy from her commerce with the East, and thence into the chief trading centres of western Europe; the big merchants of Flanders and the Rhineland controlled large amounts of movable wealth; the great guilds were capitalist bodies, and we have already noted the conflicts between the urban aristocracy—the mediaeval capitalists—and the lower orders or minor guilds which may well be termed the mediaeval proletariat. All this is still on a limited scale, but the essential features are clearly visible.

BANKING AND CREDIT.—The same is true of financial capitalism: by the side of this nascent commercial capitalism we can study the emergence of the banking and credit system without which it cannot exist. We have already seen how banking originated in Genoa and Florence, money being lent to princes, towns, and even kings, especially for the financing of the numerous petty wars which desolated mediaeval Italy. Having originated in Italy, banking had remained for many years the virtual monopoly of Italians in all countries; but by the sixteenth century numerous banking firms were to be found in all countries, in some cases under the direct protection of the State. A number of French banks appeared in Lyons (1543), Toulouse (1549), Rouen (1566); in 1579 a royal decree forced all foreign bankers to become naturalised, and even natives could not open a bank without an authorisation and the putting down of a deposit. In England banking was a seventeenth-century development and was at first in the hands of the goldsmiths. With banking went every form of financial transaction: investment, both sound and unsound, in the new commercial concerns, buying and selling of bills of exchange, gambling on currency fluctuations, insurance of every kind, lotteries, speculation and betting under every conceivable form. A significant event was the founding in 1531 of the first stock exchange, that of Antwerp. 'Formerly,' says Guiccardini in his graphic description of this town, 'those nobles who had available funds invested them in land, which gave work to many people and provided the country with its necessary supplies. Merchants used their capital for their regular business, so as to ensure a proper balance between shortage and superfluity in every country; they employed many men and increased the revenues of princes and cities. To-day, on the contrary, a number of nobles and merchants (the former acting through the intermediary of the latter), in order to avoid the troubles and risks of regular professional activity, devote all

their available capital to trading in money, which attracts them by its security and high profits.⁷

In spite of this optimistic allusion to the 'security' of these new concerns, such transactions, carried out in an age which still knew little of the laws that regulate money, were inevitably attended by considerable risks. Panics and 'bubbles' were not scarce: one Höchstetter tried in 1528 to make a corner in mercury, and ruined his depositors; in 1554 Cardinal de Tournon tried to monopolise banking in Lyons for the State, promising a uniform rate of interest of 10 per cent., raising public loans on no security and causing a smash that ruined thousands of humble folk. Five years later came a gigantic European-wide crash, starting with a bankruptcy of the Spanish Government, and hitting practically every prominent banker. The same kind of thing happened in 1575, though on a smaller scale.

CURRENCY PROBLEMS.—Another factor in the development of financial capitalism was the constant need for the exchanging of currencies, a need that was particularly felt in the great international fairs, where dealers from countries all over Europe met. There also we must look for the origin of letters of credit and other methods of paying debts otherwise than in cash; and cities like Bruges and Antwerp, which were virtually perpetual fairs, naturally became centres of financial transactions. Loans for distant commercial or maritime ventures, marine insurance,¹ and societies with collective capital, all these appear in the later Middle Ages; and we may, therefore, say that by the end of the fifteenth century commercial and financial capitalism existed on a considerable scale. Industrial capitalism, on the other hand, apart from some rudimentary forms which were to be found in the woollen industry and will be studied in a later section, could not expand until a demand existed for manufactured articles on a scale still undreamt of in the late Middle Ages, and until mechanical invention had made possible the supplying of large quantities of standardised articles. Perfect mobility of labour, and the complete absence of restrictions on industrial organisation, were also essential conditions, none of which were met in the economic world of the Middle Ages or of early modern times.

But if in the sixteenth century circumstances still barred the way for many a long year to any great expansion of industrial capitalism, they marked on the contrary an era of great expansion for commercial and financial capitalism. It was then that those factors appeared without which it could not develop, namely, an

¹ An English statute of 1601 said of marine insurance that 'it hathe bene tyme out of mynde an usage among merchants both of this realme and of forayne nacions.'

abundance of wealth that could be stored in large amounts without losing its value, wide expanding markets, and absence of restrictions on freedom of exchange, or on rates of interest, profit and wages. These conditions were not to be found until a money economy broke down the rigid framework of mediæval economic organisation, and until new economic forces destroyed the various restrictions, both moral and material, which crippled the working of the laws of supply and demand on which the new capitalism depended.

§ 3. COMMERCE IN AN EXPANDING WORLD

COMMERCIAL EXPANSION AND WAR.—The new national policies were certainly not policies of international peace. Commerce had to be defended and developed by all possible methods, especially by wars, in which direct economic interests now played a preponderating part, however disguised under labels of dynastic interests, natural frontiers or religious solidarity. War brought gold and silver; monopolies in spices and precious metals were to be obtained by those who got there first, provided a successful attack on the high seas did not deprive them of their gain. By 'war' we do not mean only officially declared hostilities, but a state of perpetual conflict, in which no ship was safe from the attack of a more powerful one. In March 1591, for instance, seventy English warships had put out to sea to lie in wait for the fleet coming from New Spain and Peru; in June, the Earl of Cumberland, with eight ships, looted eleven Portuguese ships bound for Hamburg. 'Of the Indian fleet expected in December 1591, only 34 ships arrived; 44 were either lost or captured by the English. Ships still at sea are in the utmost danger,' wrote the Fugger chronicler in November 1592, 'and numerous Portuguese must be ruined, for far too many of their Brazilian ships have been taken.' In August 1593 he reports that there were still more than one hundred English ships at sea searching for loot; and details of captures fill his letters. English raiders were off Sicily and the coasts of Provence in April 1594, so that ships scarcely dared to venture out; the same was reported from Dantzic a few months later; twenty ships worth ten millions were captured in December 1599. And so the list could go on indefinitely.

This looting was, in fact, the essential instrument of English maritime vocation; the failure of the Armada, which had been equipped for the express purpose of putting an end to this practice, is the starting-point of British power. However high the names of Drake, Hawkins, Frobisher may rank in English naval annals,

it must be admitted, with Thorold Rogers, that 'they were pirates, constantly and openly engaged in the pillaging of the trade of a country with which we had quarrels, but with which we were not always in a state of formal war.'¹ Nor was high-handed action confined to looting: in June 1588 the Fugger chronicler relates the story of the arrival off Hamburg of an English fleet of seven warships and twenty-nine merchantmen. 'The admiral,' he says, 'had orders from the Queen to suggest to the Hamburgers that they should permit the unloading of those ships in a friendly manner; and if they would not do this in friendship and good will, then he was to carry it through by force, and stake his existence upon it. The Queen would attack the Hamburgers by land and water, wherever and however she could get at them. The Queen writes herself to the authorities. . . . This is really a very high-handed action on the part of the English in a river belonging to the Empire.'

RISE OF MERCHANT COMPANIES.—If war had become an instrument of national economic policy, so had the merchant companies, who now increase to an immense extent, both in numbers and in the range of their activities. The rise of these bodies, although encouraged by the governments, was primarily due to economic as much as to political circumstances. The immense expansion of trade, and the new conditions under which it was now carried on, were bound to bring about great changes in commercial methods and organisation. The longer voyages to be made required better and more expensive ships; the enormous amount of available goods made isolated trips by single vessels wasteful; these were also dangerous owing to the much greater distances to be covered, to the much rougher weather of the Atlantic as compared with the Mediterranean, to the risk of attack both by pirates and by the rovers of rival countries. Only large well-protected convoys, belonging to merchants with extensive resources enabling them to run heavy risks, could possibly hope to meet the altered conditions of overseas trade; the isolated merchant could not do so, and except in very rare cases tended to be driven out by traders working in large organisations.

¹ Unwin points out that this buccaneering 'disorganised international economic relations by piracy on the high seas, and made expansion more difficult by sapping its economic foundations.' He remarks further that 'Much money was invested in treasure expeditions that could have gone to sound commerce; in fact, the influences prevalent in an age of treasure seeking are not favourable to the expansion of ordinary commerce'; and he quotes the typical case of a letter from the English Privy Council to the Lord Mayor of London, telling him to put pressure on reluctant London merchants to subscribe to Frobisher's expedition in which £20,000 was lost, and to suppress 'lewd speeches' of those who doubted the genuineness of what was in fact bogus gold ore (*Studies in Economic History*, p. 177).

We are no longer speaking of free associations of merchants, in which each individual remained a separate and independent agent with his own profit and loss account, but of common enterprises in which what each member brought was swallowed up in a common fund, each taking his equal share of the good and the bad. Many of these companies received from the sovereign of their country an exclusive right to trade in some particular region, or to import some particular commodity. Those licences to trade as a company, or 'charters,' guaranteed those monopoly rights, and protection on the high seas by the royal fleet, in exchange for a large share in the profits; these chartered companies may thus be described as semi-official or national organisations, whose success was directly bound up with new national policies, and whose activities, therefore, might need careful watching and directing.

THE MERCHANT ADVENTURERS.—In the formation of those companies England took the lead. The story of the earliest of them, the Merchant Adventurers, is, in fact, a summary of the evolution of commercial organisation in general. Originally, the Adventurers were isolated merchants who tried to pick up, along the North Sea and Baltic, such bits of trade as had been overlooked or considered unimportant by the Hanse or Staple merchants.¹ When the Staplers abandoned Antwerp, and the Hansards Bergen, the Adventurers slipped in and took the vacant place. Then they started competing with the Hansards on their own ground and carried large stocks of English cloth to Dantzic. By 1400 they had developed a monopoly of their own, and protested against the 'meddling merchants who were not content with their own business in which they had been brought up and by which they were well able to live'; and in 1406 they obtained from Henry VI a charter granting them the right to trade where they would and to draw within their ranks all the Adventurers of England. They were then still only a loose association, barely a gild; but in 1446 they received from the Duke of Burgundy many trading rights in his dominions, and boasted that they bought more goods in Brabant, Flanders and Zealand than in all other nations. In 1505 they moved their headquarters to Calais and received from Henry VII a fresh charter with a much more rigid organisation. Then in 1563 they became a regular corporate body.

It was about the same time, in 1553, that the Muscovy Company, originally formed to explore the possibilities of the North-East Passage, received a charter which ultimately became

¹ Unwin points out that the Staplers dealt primarily in wool, the Adventurers in cloth.

a monopoly of English trade with Russia. This company is interesting as being the first joint-stock organisation, *i.e.* built up with funds contributed not only by its constituent merchants, but also by any who wished to subscribe and get a share of the profits proportionate to the amount put forward. The original capital of £6000 had increased to £336,000 by 1563. It began with 240 shares of £25, profits being distributed at the end of each voyage in proportion to the investment. A little later came the charter of the Eastland Company for trade in the Baltic—Norway, Sweden, Poland, Pomerania, Livonia—with certain reservations on behalf of the Adventurers and the Muscovy Company. By 1610 an Englishman could only trade freely with France, Italy, Spain and Portugal. Commerce with the rest of the world could only be carried out by members of the specific companies who had mapped out and divided the routes of trades: the Eastland Company to the Baltic and Scandinavia; the Russian Company, the Merchant Adventurers, to the North Sea ports; the Virginia, Plymouth, and Hudson Bay Companies to America; the Levant Company to the Near East; and to the Far East the East India Company, whose history belongs to our next chapter, as does the history of the French and Dutch companies.¹

DECLINE OF THE HANSEATIC LEAGUE.—The rise of these new companies marked the decline of the old. The granting of the Eastland Company charter, for trading in areas which had been hitherto the preserves of the Hanse, shows that this famous body was losing its hold on northern European commerce. We have seen how, by the end of the fourteenth century, the Adventurers had begun to dispute its monopoly, and this had been encouraged by the Government of Henry VI. 'It was the political situation at home that affected most the course of Anglo-Hanseatic rivalry. It is not that the domestic policy of Henry VI's "personal" Government was inspired by any new and different principles. Its worst failing was that it ceased to be inspired by any principles whatsoever. The mercenary interests of the ruling magnates in and out of the King's Council were allowed full licence. Matters of State policy were made to serve the private gains of party chieftains. And as there were easy and substantial gains to be derived from attacks on the Hanseatic commerce, the anti-Hanseatic piracy developed with every successive stage in the disruption of the English Government. Attacks on Hanseatic shipping became more frequent than at any other period in the fifteenth century; and for the first time in the fifteenth century

¹ A useful table of the companies, their areas of trade and chief commodities, is to be found in Gibbins's *Industry in England*, pp. 138-39.

the attacks proceeded not only without opposition, but also with the assistance of the Government.'¹ In fact, 'Venturers and Hansa represented not merely the interests of two trading organisations, but were the exponents of great national interests, and the representatives of rival civilisations, political as well as industrial.'²

Weakened in the West, the Hanse lost its control of Novgorod in 1478; Lübeck and a number of Prussian cities withdrew soon after; the shifting of the herring shoals from the coasts of Scania to those of Holland deprived it of a great source of wealth, as did the decrease in the demand for fish which followed the Reformation. In 1552 Edward VI withdrew the League's charter for trading in England; it was restored in 1554, but finally withdrawn in 1598, in retaliation for the expulsion of the Adventurers by the Emperor Rudolf. The Hanse dragged on indeed for some years; Henry IV of France made agreements with it in 1604; but its real power was gone, and it virtually dissolved in 1669, leaving Lübeck, Bremen and Hamburg to carry on its traditions as Free Towns in the Holy Roman Empire.

The reasons for the decay of the Hanseatic League are not far to seek: its non-political, non-national organisation had become out of place in a Europe where the trade unit was a national sovereign state. Like many a great institution, it had fulfilled a useful purpose at a particular stage of development: with altered circumstances the need disappeared, and with it the institution itself.

RISE IN STANDARD OF LIVING.—This expansion of trade meant, of course, a greatly increasing demand and supply of goods. A whole number of Eastern articles, hitherto unknown or considered as scarce luxuries, now became of ordinary use in all households except those of the poor: tea, coffee, sugar, tropical fruits and woods, carpets, furs, tobacco, rum, molasses, cotton. All these, of course, did not come at once everywhere, but they came in sufficiently large quantities to cause a marked rise in the standards of living of the middle and upper classes.

'On May 26th,' writes a Florentine chemist in his diary for 1471, 'I bought some of the first sugar that came here from Madeira, which island had been subdued a few years earlier by the King of Portugal; and sugar had begun to be grown there, and I had some of the first.' 'Pride is growing in every state,'

¹ *The Times Literary Supplement*, review of Postan and Power's *Studies in English Trade and Commerce in the Fifteenth Century*.

² Lingelbach, *The Merchant Adventurers of England*.

wrote a sixteenth-century chronicler ; ' townspeople want to dress like gentry, and gentry like princes. Every worker wants to eat meat like the rich.' Here is, for instance, the inventory of the cargoes of four ships from Calicut in India, which arrived at Lisbon in August 1580 :¹

Pepper, all sorts	20,777	cwt.
Cloves	2,863	„
Mace	343	„
Nutmegs	444	„
Cinnamon	248	„
Ginger	803	„
Tufted cloves	470	„
Indigo	235	„
Wax	235	„
Resin	27	„
Silk	88	„
Incense	3'2	„
Amber	2,826	arobas
Small pearls	1,696	„

Another fleet brought 100,000 hides from New Spain. In August 1585 we note the arrival in Lisbon of twenty-four ships bringing much sugar and 3000 quintals of Brazil wood. Two years later ' a great ship of 400 tons or more ' brought from Portuguese India a cargo of pepper and spices valued at a million sterling. The English seized, in December 1590, a ' big Venetian ship of 800 tons ' carrying 1200 sacks of corn, 544 bags of pepper, 388 chests of sugar and 5 barrels of gold, and also a Portuguese ship, the *Maria Margareta*, with 300 bags of pepper, 160 chests of sugar and 7 bales of silk. Dried fish and wine, currants, chests of cochineal, ox hides, leather, are all frequently mentioned. Outward cargoes seem to have consisted largely of corn (especially to Italy), woollen cloths, hardware, gunpowder, and trinkets for use in trade with backward peoples. For instance, William Hawkins's ship, the *Paul*, carried in February 1540 to Africa and South America 940 hatchets, 940 combs, 375 pruning hooks and knives, 19 dozen nightcaps, 15 cwt. of copper and the same of lead, one-third of each made up into arm-rings, and 3 pieces of undyed cloth. The total cargo was valued at £23 15s., and in October the *Paul* was back in Plymouth with £600, with elephants' teeth and dye-wood from Brazil—a profitable voyage. When captured by the English the *San Felipe* carried over £100,000

¹ Given by Fayle in his *History of the World's Shipping Industry*, p. 45. The details that follow are taken from the Fugger Letters.

worth of goods, exclusive of bullion, and the *Madre de Dios* nearly £140,000, over a million of modern money. Nor must we forget the lucrative slave trade ;¹ Hawkins was a great slave trader, and, when knighted, he chose for his crest a negro in chains.

SOME MERCHANT PRINCES : THE FUGGERS.—The various aspects of the fifteenth- and sixteenth-century finance are most clearly seen by following the fortunes of some of the individuals and families who rose to controlling positions in the economic world. One of the earliest in date is the Frenchman, Jacques Cœur. The son of a rich dealer in furs, treasurer to the King in 1437, he traded with the Near East and amassed an enormous fortune. He had agents in almost every country, owned ships, established factories, exploited mines. He lent money to the King, and exercised a great and beneficent influence in the shaping of French financial policy ; he also played some part in the relations of the French State with Near Eastern powers, arbitrating in a matter concerning some Venetian merchants in Alexandria, negotiating an agreement between the Sultan and the Knights of Rhodes, and a treaty of commerce between the Sultan and Charles VII of France. 'He was,' says Cunningham, 'the most prominent figure in the finance of his time, and since his days the political power of the banking interest has been constantly felt.' Another Frenchman, Jean Ango of Dieppe, owned so many ships that in 1530 he blockaded Lisbon with his sole fleet and forced the King of Portugal to accept his terms.

Most of these financial magnates—Hochstetters, Baumgartners, Peruzzis, Medicis—came from Italy and south Germany. The Welsers 'invested in the Portuguese voyage of 1505 to the East Indies, financed an expedition, half commercial, half military, to Venezuela in 1527, were engaged in the spice trade, were partners in silver and copper mines in Tyrol and Hungary, and had establishments in all the chief cities of Germany, Italy and Switzerland.' Best known and most important of all were the Fuggers of Augsburg. The founders of the family's power were the sons of an Augsburg weaver who died in 1409 ; they made a fortune out of trading in silks, cloths and spices. Jacob Fugger (1429–1526) extended the concern to buying up land and mines and lending to great and small. The profits from their combined transactions rose to over 30 per cent. as an average, and often

¹ Through the Middle Ages the Moors had carried on the negro slave trade across the Sahara ; and from 1445 the Portuguese began to replace the Moors. In 1501 the first negroes were introduced into the Spanish colonies ; in 1517 Charles V granted the first privilege to introduce negro slaves into the Spanish colonies ; in 1619 the first negroes were brought by a Dutch ship to Virginia' (Nussbaum, *History of the Economic Institutions of Modern Europe*, p. 124).

reached 50 per cent. What some of these transactions were can be seen from the following list of Fugger activities in 1527 :

Mines (Tyrol-Hungary)	. . . . .	270,000 florins *
Real estate	. . . . .	150,000 "
Merchandise (copper, silver, brass, textiles)	. . . . .	380,000 "
Cash	. . . . .	50,000 "
Loans	. . . . .	1,650,000 "
Private accounts	. . . . .	430,000 "
Various	. . . . .	70,000 "

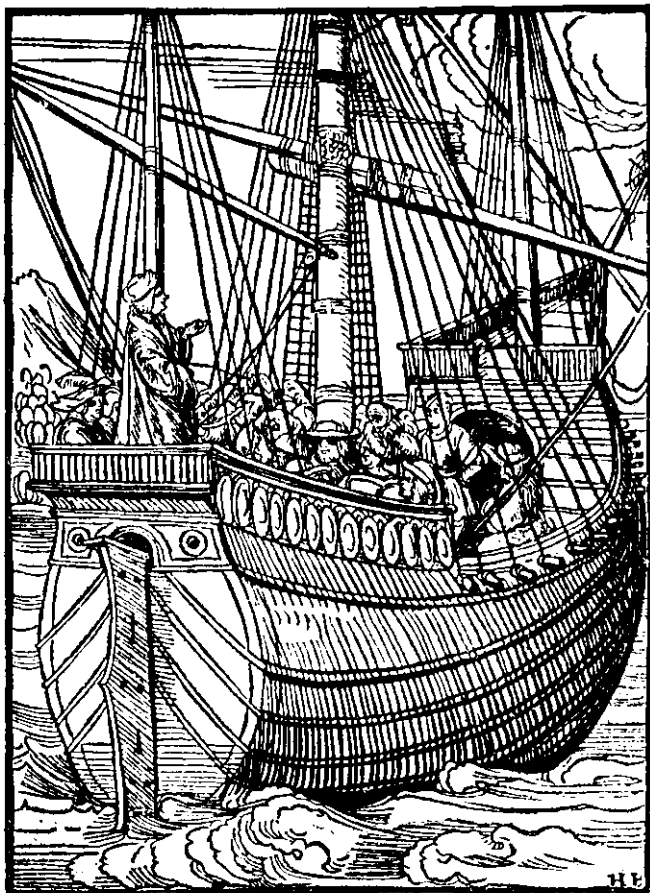
* Of an approximate value of 30s.

making a total of 3 million florins or $4\frac{1}{2}$ million pounds. Among their debtors were the Pope and the Emperor Charles V, the latter having obtained from them the funds with which he bought the Imperial Crown in 1519. 'After an election conducted with the publicity of an auction and the morals of a gambling hell,' says Tawney, 'they browbeat him when the debt was not paid in the tones of a pawnbroker rating a necessitous client, and found the money with which he raised troops to fight the Protestants in 1552.'

The weakness of the firm, and of others of the same kind, was that it had too many irons in the fire. When in 1550 the head of the firm tried to wind it up and withdraw the capital, he found it impossible and became involved instead in more enterprises. Then, about 1563, profits began to decline heavily and the various partners took to quarrelling ; much of the capital was gradually lost, and the undertaking dwindled away into nothing !

DEVELOPMENT OF SHIPPING.—This enormous expansion of commerce naturally led to a great improvement in communications, by sea especially. There was a much larger number of ships afloat. Mrs. Green, in her 'English Town Life in the Fifteenth Century,' gives a graphic picture of the enthusiasm for shipbuilding which seized England in that period. Although Parliament was perpetually grumbling at England's inferiority by sea, angrily quoting a Dutch jest to the effect that a sheep rather than a ship should be the emblem engraved on the royal coinage, yet the English already boasted that they were kings of the sea : 'if in the reign of Edward III practically the whole of the foreign commerce of England was carried in foreign vessels, by the reign of Henry VII the great bulk of the trade had passed into English hands.' About 1400, scarcely any English ships exceeded 100 tons ; in 1451 we read of troops being taken to Aquitaine in 23 ships of 200 to 400 tons. And by the next century the English

mercantile marine numbered hundreds of vessels, many over 500 tons, some reaching up to 1000, although the English never went



A SHIP OF THE EARLY SIXTEENTH CENTURY (STRASSBURG)

From Coulton's *Life in the Middle Ages*.
(Cambridge University Press.)

in for building large and heavy craft. The Iceland trade alone employed 149 ships, the Scottish trade 69 in 1528. In 1560, 21 ships of over 100 tons entered or left the port of London, and 56 other

ports ; in 1582 these figures had nearly trebled. At the same period Spain only possessed 104 ships of over 100 tons, and Portugal 92 ; even when they were the foremost maritime powers they were behindhand at shipbuilding.

Ships were mainly of two kinds, the galleon and carrack, or the caravel. Galleons and carracks were heavy ships, with two to five decks, very broad in proportion to their length, and with a large amount of overhanging deck at both ends, which made them very slow and difficult to manage, but steady and with a large cargo-carrying capacity. Caravels were narrower, longer and much lighter and, therefore, faster, but of course not so well armed and less profitable as merchantmen.

Many men were needed for sailing those ships, the average ratio being 20 to 25 men per 100 tons in the Mediterranean, and greater on the ocean. Food supplies on those long transatlantic journeys formed, of course, an everlasting problem, scurvy accounting for many deaths, often as much as 50 per cent. on a long voyage. On the other hand, Hawkins, who was always very careful about his men's diet, only lost 13 out of his 170 men on his journey of 1564. He carried 25 thousand-weight of biscuit, 120 barrels of meal, 20 quarters of beans and peas, 40 hogsheads of beef, 80 fitches of bacon, 6 lash of stock-fish, 12 hundredweight of ling, 40 butts of malmsey, a tun of oil, a pipe of vinegar, a hogshead of honey, and a quarter of aniseed. The daily allowance of food for the crews of Vasco da Gama, in 1497, was $1\frac{1}{2}$ lb. of biscuit, 1 lb. of beef or $\frac{1}{2}$ lb. of pork, $2\frac{1}{2}$ pints of water, $1\frac{1}{2}$ pint of wine, with oil and vinegar ; and on fast days rice, fish or cheese took the place of meat.

Seamen's wages, curiously enough, were lower than in the fifteenth century : about seven shillings a month in 1546, whereas about 1400, nine shillings would be an average figure ; and if we take into account the rise in prices we see that the real loss was not less than 50 per cent. The explanation is, to some extent at least, that in the fourteenth or fifteenth century trained sailors were very scarce and were heavily paid in comparison with other skilled workers ; whereas by 1550 the supply of labour was abundant.

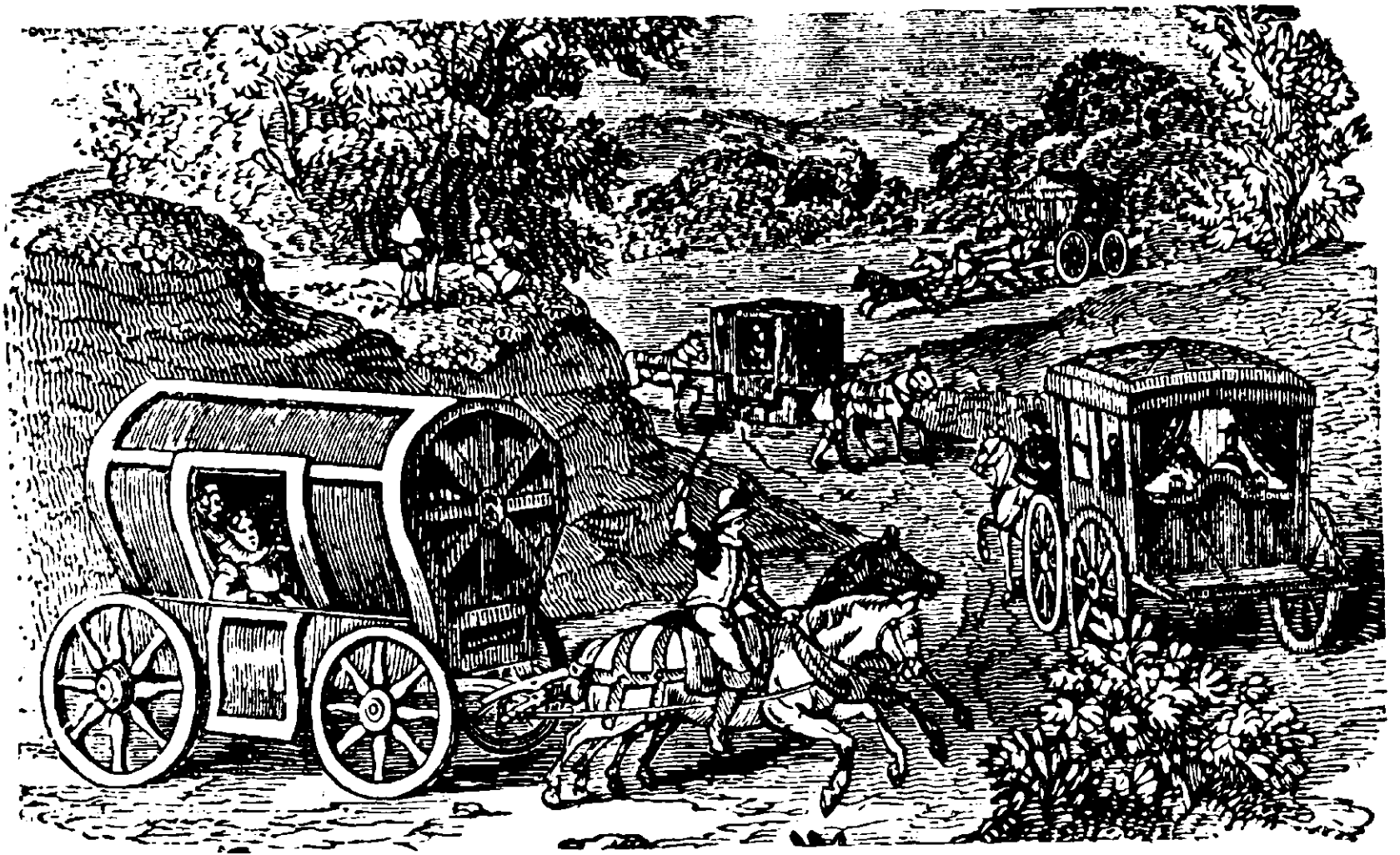
ADVANCES IN NAVIGATION.—In many ways the great advance in the science of navigation was the most important feature of the period. Better instruments, such as astrolabe and quadrant, more accurate charts and calculations, improved harbours, more lighthouses, an organised pilotage service—all made long voyages easier and comparatively safe. Such voyages were, of course, not very numerous : about seven a year to India from Portugal ; sailings from Spain to the New World were organised in two

annual fleets, one in the spring for Mexico and the greater West Indies, one for Panama and the Spanish Main in the late summer ; the latter brought back the Peruvian treasure, as the Spaniards disliked the Cape Horn route and preferred to send the goods overland to the Atlantic coast by mule caravans. Both fleets wintered in America and met at Havana, for the second half of the return journey, some time in March. The extension of English privateering tended, of course, to interfere with the regularity of these sailings. In addition to these convoys, fast boats, using both sails and oars, crossed the Atlantic from Havana to Spain in twenty-eight days (the prevalence of western winds on the Atlantic would make the outward journey much slower).

LAND TRAVEL.—On land the quality and security of main roads still left much to be desired. Although France boasted, in 1500, of some 15,000 miles of highways, the road guide of 1553 admits that the mileage of good paving was very small and that brigands were frequently to be met with ; and the four Roads and Bridges Treasurers seem scarcely to have justified their salaries. There were as yet no regular coaching services, except between Paris and the other University towns. Things were no better in England. The Royal highway was supposed to be fifty feet wide, but was often no more than twelve, almost impracticable in winter. Highwaymen were often to be met with. Goods and letters were conveyed by private carriers, a penny a pound being an average rate for a journey of some 300 miles. Coaches were still a novelty at the beginning, but usual by the end of the sixteenth century ; the first passenger coach began to ply from London in 1605, and called forth a storm of protest against the damage it caused to the roads. It must be admitted that these were so poor that progress was much easier by cart or on horseback, thirty to fifty miles a day being a fair average. On the other hand, Sir Robert Carey, conveying to James VI the news of the death of Elizabeth, covered the 360 miles from London to Edinburgh in three days.

Rivers were still extensively used, with regular navigation companies. The first canal was cut in the fifteenth century, between the Baltic and the Elbe ; one was planned in France in 1553, between the Loire and the Seine, but the scheme fell through, and France had to wait another hundred years for her famous Southern Canal between the Aude and the Garonne.

Land communications received a considerable stimulus by the development of various forms of postal services. The earliest system is that established in France by Louis XI in 1464. He organised in a number of important towns relays of swift horses, which could only be used by the King's messengers or others with



EARLY COACHES AND LITTER
From Boulton's *Pageant of Transport*. (Sampson Low.)

royal authorisation ; in 1576 Henry III instituted in each town two messengers for the carrying of legal documents, and the next year gave these the monopoly of the carrying of all messages. Earlier, in 1504, the Emperor Maximilian had given the **Taxis** family the sole right of carrying the Imperial mail between the Netherlands and whatever town the court might be in. In 1536 Charles V extended the service to Rome and Naples, the journey from Brussels to Naples taking 14 days, from Brussels to Paris 36 hours.

§ 4. THE REORGANISATION OF INDUSTRY

NEW PROCESSES.—The new facilities for commerce, and the expanding demand for goods of every kind, naturally brought about a great advance in industry ; the total output increased and methods of production acquired a better technique. But we do not see in industry the same revolutionary changes as in commerce ; there are some improvements in processes ; existing industries are intensified, but only two really new industries have appeared, gunpowder and firearms and printing. These may be said to represent the culmination of the advance in mechanical progress which marked the late fourteenth and the fifteenth centuries. The utilisation of water power for primitive but fairly effective machinery saw in the fifteenth century a number of striking improvements : rollers for textiles and paper making, pumps for drying up mines, wagons for carrying coal and stones, hammers and blast-furnaces for metallurgy, bellows for glassware. The discovery that gunpowder, already known as an explosive, could also be used as a propelling force revolutionised the art of warfare ; it proved a powerful factor in helping kings to destroy private castles and thus do away with the last remnants of political feudalism ; and the manufacture of firearms created another industry which could only be carried on under factory conditions.

PRINTING.—But the printing-press has well been called the mother-invention, the ancestor of all later industrial discoveries. It was created to meet the growing needs of a people dissatisfied with the small output of books possible under the hand-copying system ; like all inventions, it was cursed by the thousands whom it threw out of work, but the rapidity of its development is almost miraculous. The first dated printed book is the Mainz Psalter of 1457 ; by 1500 there were over a thousand printing works in Germany alone, exclusive of innumerable private presses in convents and castles. Now printing could not be fitted into the existing domestic industrial system. However small the outfit, it

drew the workers to itself and formed the rudiments of a factory ; it necessitated a considerable capital outlay ; it could only work if it were assured of a large demand for a standardised product. It had the further economic result of stimulating production by



'ATELIER D'IMPRIMEUR AU XV^E SIÈCLE'

From Martin's *Histoire Economique et Financière de la France*.

providing easy advertising of new goods. The earliest newspapers were, in fact, mainly advertising sheets. Of the social and political importance of printing, as the real creator of a 'public opinion,' it is needless to speak here.¹

¹ It is a curious fact that paper, gunpowder, the mariner's compass and the printing-press should all be of Chinese origin.

These new industries, we said, scarcely fitted into the mediaeval system of industrial organisation. Institutions correspond to definite needs and adapt themselves, slowly but surely, to changes in those needs. The industrial organisation of Europe, as we left it in the middle of the fourteenth century, was adapted to the conditions of the time: small-scale production for a limited market, where large profits were very rare, and the smallness of the demand left ample time for great carefulness of work within a very limited technique. Guilds had evolved, partly to give the new industrial classes the power necessary to break away from a rural feudal system, partly to regulate conditions and prevent the breaking down of the system by ill-considered competition. Agriculture and industry were regulated, in fact, by associations of producers. What was now wanted was a large amount of goods, not indeed the enormous amounts which were to be in demand in the nineteenth century, but much more than thirteenth-century Europe had ever been able to consume. Mediaeval organisation and methods of work could not meet this increased demand and had to be modified.

CAPITALISM AND THE WOOL TRADE.—As always, symptoms of coming transformations can be discovered in the earlier period. In the raw wool industry, centralised direction under individual organisers brought in something like the rudiments of capitalistic control. Industrial capitalism, on the other hand, had barely begun to appear, and is only to be found to any extent in the woollen cloth trade. This industry enjoyed an ever-widening market, making the investment of capital a profitable venture; it also necessitated a very complex division of labour,¹ which in its turn necessitated a unified control which could only be exercised by the owner of the capital invested. Hence the importance of the 'clothier,' as this capitalist was called. In 1395, in Essex, 3600 pieces of cloth were made by seventeen manufacturers; in Devonshire, two makers turned out over 1000 pieces each; so important were these capitalist clothiers that we read of a mayor of Canterbury 'who took upon him the occupation of making of cloths and lived like a gentleman.' Peter Blundell, born at Tiverton in Devon in 1520, 'saved a little money when a boy, bought a piece of Kersey cloth, and sent it to London by a carrier

¹ 'One writer asserts that from wool-grower to consumer a piece of broadcloth passes through a hundred hands. These figures seem rhetorical: a more sober estimate gives the number of persons employed upon a single piece of cloth as fourteen; this includes the spinners, weavers, cloth finishers and burlers, but not wool-growers, dyers, makers of looms and spinning wheels, transport workers and others connected directly or indirectly with the cloth trade' (Lipson, *History of the English Woollen Industry*, p. 37).

who sold it to great advantage and made him a faithful return. The profits from this Kersey and other savings enabled him to purchase others which he sent and sold in like manner.'¹ Then he started his own manufacture of Kersies at Tiverton, and died at the age of eighty-one, leaving a fortune of £40,000, much of which he bequeathed for education.

The Florentine wool trade tells the same story : the master drapers of the *Arte della Lana* buy the wool abroad, send it out to be worked under their control, and sell the finished article. We can also study the process at work in the Flemish cities : the linen textile works, which flourished in Ghent after 1540, broke away from the gild system and based themselves on a domestic organisation similar to that of English and Florentine weavers. Even outside the textiles, there are traces of new industries, which the small man could scarcely undertake, building themselves up along modern lines ; mining, metallurgy, printing, pottery, all tend to evolve that way. But these instances are still exceptional ; late mediaeval industry was still a matter of individual and local enterprise ; any development of industrial capitalism was checked by all the restrictions which denied it its necessary freedom, and by the comparatively limited quantities of available capital.

NEW DIVISION OF LABOUR.—More immediate in its results was the development of a greater division of labour, not only between trades but especially between the producer and the merchant.² The Fuggers sold, they did not manufacture. On a smaller scale and, because of this, more typical, was one von Bodeck of Frankfurt, who bought silk and drugs in Venice, spices in Amsterdam, and sent them for sale to Hamburg ; who bought iron and wax in Hamburg and sent them to Spain ; who bought indigo and wool in Spain and sent them to Amsterdam and Antwerp ; and bought rye in Amsterdam and sent it to Genoa. Such merchants dealt in wares they never even saw, depending for purchases and sales on local agents working on a commission. And while most manufacturers could still, to a limited extent, fit into the gild system, large-scale distribution for profit could not. The specialised merchant is a free, unfettered individualist, who knows no regulations.

¹ Lipson, *The History of the English Woollen Industry*, p. 42.

² 'The mediaeval craftsman was at once a workman, a foreman superintending his journeyman and apprentices, an employer undertaking responsibilities and supplying capital for materials, food and wages, and a merchant buying something and a shopkeeper selling something. By the seventeenth century this work is being done by six people : the large merchant, the shopkeeper large or small, the merchant employer, the large master, the small master and the journeyman' (Hammond, *Rise of Modern Industry*, p. 100).

These changes in industrial organisation inevitably brought with them great transformations in the position of the guilds. On this point it is dangerous to generalise: in a quickly changing world this position varied from country to country and from period to period. Offhand, it would seem that the expansion of economic life would break up the rigid organisations of mediaeval industry, but this is too hasty a generalisation, and ignores a number of forces working in different directions.

WEAKENING OF THE GILDS.—Purely economic considerations tended to weaken the guilds in all industries that dealt in a wide market. Whenever the raw material was costly and rare (*e.g.* silk), the manufacturer depended entirely on the importing merchant, and a centralised buying authority became a necessity; in other words, only a manufacturer in a big way of business, with considerable capital, could hope to deal with the problem, and the small man in the guild was quickly pushed out of the industry, to become a paid worker. Similarly, export trades depended on exporting agents, who soon extended a great measure of control over the industry. If one adds to this the beginnings of machinery and factory in some industries, one sees at once that the guilds found themselves opposed by powerful forces of disintegration. These were reinforced in many countries by the political centralisation, which tended to unify the national industrial system, and by a royal authority which disliked any powerful associations capable of strong concerted action. This point of view is expressed in numerous decrees and laws in almost every Western country, from sixteenth-century anti-gild regulations to the nineteenth-century English Combination Acts and the innumerable French laws endeavouring to regulate and restrain associations. This factor of central political control, however, obviously did not apply in countries politically divided, such as Germany and Italy, and consequently guilds remained much more powerful there than in the West. But even royal absolutism did not always work in one direction alone. At one time the kings of France tried to make industry open to any respectable worker;¹ when they failed to do this, they did all in their power to encourage non-gild industries, or to grant their protection to those trying to make

¹ M. Boissonnade, in his *Socialisme d'État avant Colbert*, gives the following examples of French 'planned economy' in the sixteenth century: subventions, monopolies, privileges such as exemption from particular taxes or regulations, orders given to specially well-equipped firms, protectionism, Royal workshops, Royal sugar refineries, mining concessions, control of available labour. Unwin points out that Elizabethan monopolies were an essential part of this nationalisation of economic policy, and adds: 'the trading companies were gradually converted into instruments of monopoly. Indeed, all forms of industrial and commercial organisation were tending to undergo the same transformation at this period.'

themselves independent of guilds. Francis I, in the earlier half of the sixteenth century, not only favoured the 'chambrelans' or 'workers in rooms,' but had 160 independent workers attached to his court, who were free to deal with the general public. Both he and other kings also made money by selling patents of masters, thus obviously ruining these patents as guarantees of technical efficiency. But at other times they pursued a different policy, based on the idea that after all, if carefully watched and hedged round with regulations, guilds might be useful instruments for the controlling of industries; and we find numerous laws ordering all workers to be enrolled in some guild (edicts of 1581 and 1597). The position of guilds remained, in fact, a perpetual problem until their entire abolition at the time of the Revolution.

Quite apart from politics, other forces were at work to preserve the guilds. The aristocracy of industry and commerce found in these organisations a useful way of keeping a tight hold upon the agencies of production. Guild rules provided barriers that prevented the advance to wealth and power of 'outsiders,' and kept intact class barriers which a freer organisation could have broken down. They might be a nuisance at times, but in the main they were too useful to be destroyed carelessly. In general it may be said that, except in one country, the guild system still lingered on, much weakened in real power, with an increasing number of industries escaping from its control, but sufficiently alive to act as a serious check on industrial expansion.

DISAPPEARANCE OF THE GILDS IN ENGLAND.—The one exception was England, and her special circumstances were due to the fact that so much of her industrial life was bound up with the wool trade. Now we have previously seen that already in the late fourteenth century this industry was evolving on non-gild, capitalist lines; innumerable small workers worked in their homes for some central 'clothier,' who was thus responsible for the manufacture and sale of large amounts of cloth, after having had to buy large amounts of raw wool. The guilds did try and protest: the company of Cappers in Chester declared in 1525 that they were 'in grete decaye' because the mercers of the city were selling caps made in London and elsewhere, and the mayor forbade the sale of 'foreign' caps below a certain price; a few years later the guilds of Worcester and adjoining towns complained of the competition from villages in which the woollen industry was carried on, and a statute was passed, forbidding anyone in the county of Worcester from making or causing to be made any cloth for sale unless he lived within one of the towns. In 1554 a general Act of Parliament prevented the inhabitants of the

countryside from selling by retail woollen or linen cloth and haberdashery in any city, borough or market town, except at times of open fairs. The Weavers Act of 1555 forbade any person dwelling outside the city to have more than one loom. Those Acts proved unenforceable, and only show the steady disintegration of mediaeval regulations. A sixteenth-century chronicler explains how in the old days 'pins, gloves, points, girdles, and all such things necessary for the common people used to be both made and sold by craftsmen in their shops, but now they are sold by haberdashers, of whose shops every street is full, who buy the goods the craftsmen made at ridiculously low prices, so that the latter cannot keep themselves in meat and drink with the proceeds; and in many cases the haberdashers buy their stock on the continent.'¹

GROWTH OF INDUSTRIAL FREEDOM.—Against such economic changes the guilds were helpless, and it was largely their breakdown which inspired the Statute of Artificers of 1563, a comprehensive, but largely futile, attempt at treating industrial organisation as a national problem, endeavouring to regulate the distribution of population over different occupations, conditions of employment, hours of labour, amount of wages, and to establish compulsory apprenticeship in all trades. This greater freedom of organisation undoubtedly proved an important factor in the economic advance of England in the seventeenth and eighteenth centuries.

Thus, by the sixteenth century industrial organisation no longer presented in any sense the uniform picture which could be seen two hundred years earlier: a few factories here and there, sometimes using rudimentary machinery; many small craftsmen still working with their apprentices in their own shops where they sold their goods; many more employing a number of hired workers and selling their product to a wholesale or retail dealer; many working at home, both in town and country, for some organising agent who supplied them with raw material and disposed of their manufactured product. As Professor Weber says, 'pre-capitalist domestic industry commonly existed side by

¹ Rees, *Survey of Economic Development*, p. 95. Ben Jonson, in his comedy *The New Inn*, ridicules the man of fashion who must buy all his clothes abroad:

'I would put on
The Savoy chain about my neck,
The cuffs of Flanders, then the Naples hat,
With the Rome hat-band and the Florentine agate,
The Milan sword, the cloak of Geneva, set
With Brabant buttons; all my given pieces,
My gloves the natives of Madrid.'

side with craft work, in consequence of the substitution of the rural craft worker for the urban, or rising out of new branches of industry.'

The breakdown of the rigid uniformity of mediæval organisation carries with it the breakdown of the social relationships that are bound up with it. Apprenticeship, with its implied equality between master and worker, is rapidly disappearing, except in a few privileged trades; the small master, making a decent living but not more, is becoming rare. Employers of labour are becoming wealthy, and forming with the big merchants a class by themselves; the small business man is as often as not a retail seller, not a manufacturer; and manufacturers, great or small, employ hired labourers who are losing the security which the mediæval system afforded to them. No longer have they any hopes of becoming masters in their turn; devoid of capital, they are for ever relegated into the wage-earning class, and often deprived of any access to municipal functions. Differences of wealth, manners, education are all daily deepening the gulf between the master-class and what may be termed an urban proletariat.

CONDITION OF THE WORKERS.—The latter's material condition was poor and not improving. The shortage of labour of the late mediæval period, and the improvement in wages which resulted, did not last; on the contrary, rural domestic industry was now competing with urban, and causing a fall in wages. Competition also came from child labour, which would have been unthinkable under gild conditions; it is to be found in the cities of the Netherlands; and sixteenth-century writers boasted that in Norwich alone boys and girls of tender age created by their work wealth annually worth £12,000 more than the cost of their maintenance. The real problem was a complete lack of adjustment between wages and the cost of living. The increase in currency had inevitably brought about a sharp rise in prices. That this was bound to occur is now known and understood by every beginner in economics, but very few, even among the wisest, could grasp this at the time, and all kinds of explanations were given of a process which no laws against increases in prices could possibly check.¹ Not till 1568 did anyone realise the cause of all the

¹ Desperate attempts were made by most governments to check this rise in prices. Liautey, in his *La Hausse des prix et la lutte contre la cherté de la vie en France au seizième siècle*, gives the following list of measures resorted to in that country: fixing of maxima and minima prices, heavy penalties against excessive profits, rigid control of weights and measures, prevention of hoarding, municipal granaries and markets, prohibition of waste, putting down of unnecessary middlemen, prohibition of exports, control of imports, currency reform. All of these availed as little as the price-fixing by Elizabeth to which reference will be made.

trouble, when Jean Bodin published his 'reply to the paradoxes of M. de Malestroict concerning the rise in value of all commodities and of money.' Bodin declared that 'the chief cause, almost the only one, and one which no one has noticed, is the abundance of gold and silver which is in the Kingdom. . . . There is even more gold and silver in Spain and in Italy than in France, and therefore everything is much dearer there, including wages, so that our workers from the South are attracted into Spain.' A less scientific public opinion accused usurers, landlords, exchangers, monopolists, etc. ; and it may be noted that, while Bodin was undoubtedly right in his main argument, public opinion was not entirely wrong. Speculation was undoubtedly a factor that could not be ignored ; landlords took full advantage of the rising value of land, and monopolists were responsible for much of the trouble. Some of these monopolies were given by force of circumstances, as it were, to the merchant whose cargo had arrived safely while his rival's had been wrecked ; others were given by sovereigns to trade companies, or bestowed as a reward upon some favourite. It is obvious that when the Earl of Leicester, for instance, was granted the monopoly of the importing of sweet wine, the price of that commodity would be just the very maximum that could be obtained, irrespective of any consideration of just price or social need.

RISE IN PRICES.—Thus, the purchasing power of money steadily diminished ; exact statistics are of course hard to get, but we know that the price of corn in Paris increased by 500 per cent. between 1520 and 1589. In England, corn, which averaged 5s. 2d. per quarter between 1260 and 1400, was fetching 10s. to 12s. in 1550, and 18s. to 20s. about 1575, actually reaching the figure of 29s. in some districts in bad years. The value of land increased threefold in France during the same period ; in England, Bishop Latimer tells us that a farm which was worth £3 in 1500 was worth £16 in 1550, and the Private Prayer Book of Edward VI (1553) prays that 'those that possess the grounds, pastures and dwelling places of the earth, remembering themselves to be thy tenants, may not rack, and stretch out the rents of their houses and lands, but so let them out to others that the inhabitants thereof may be able both to pay the rents and also dishonestly to live.' 'Food,' said a French chronicler in 1579,¹ 'is 12 to 15 times dearer than 60 years ago. A house that would then have cost 3000 livres, would cost some 16,000 now ; even if not a single repair has been carried out meanwhile.' 'When

¹ Du Haillan, Historiographer Royal of France, in his *Discourse on the Causes of the extreme dearth which now predominates in the Kingdom of France.*

every nation was permitted to bring in her own commodities,' says the chronicler Harrison,¹ 'foreign wares were better, cheaper and more plentiful to be had. We had sugar for four pence a pound, now it is well worth two shillings and sixpence, raisins and currants at one penny, now holden at sixpence. I do not deny that the navy of the land is in part maintained by their traffic, but so is the price of wares kept up, now they have gotten the only sale of things.' As a result of those changes in values, the elaborate existing price regulations had to be repealed; the Act of 1533 which fixed the price of beef in London at a halfpenny and of mutton at three farthings a pound only lasted eleven years, and by the end of the century meat was costing over twopence. The Lord Mayor's poultry price list of 1572, in which a fat goose was listed at fourteenpence, chickens at twopence halfpenny to fourpence, and eggs at five a penny, remained largely a dead letter.

WAGES AND COST OF LIVING.—The effects of this dislocation of prices² were felt of course in every department of life, and will therefore be commented upon in later sections of this chapter, but one general result should be briefly noted here. Bodin remarks, in the lines quoted above, that wages have risen as well as prices; but he did not notice an essential feature of the phenomenon, namely, that they did not rise anything like as fast as prices. This is again a fact which is familiar to us all who have not only watched but been directly affected by depreciation in currency and a rise in prices. Not only do fixed payments lose a large proportion of their purchasing power, but wages and salaries, which are supposed to correspond in some degree to the cost of living, fail in reality to keep pace with it. The result is that a rise in nominal wages, as expressed in currency, may be in fact a fall in real wages, as expressed in what money will actually buy. And not only did wages always tend to lag behind any sharp rise in prices, but the legal fixation of wages, so popular in the fifteenth and sixteenth centuries, tended to transform into a maximum what was often meant to represent either a minimum or a fair average. In spite of the admission in an ordinance of Francis I of France in 1544 that 'all subjects are so injured and burdened by the dearness of food, that those who have some income or property cannot live on it, much less can artisans and poor people live from the toil of their hands,'

¹ In his *Description of England*, 1586.

² 'Dislocation' is the proper term, as Knight remarks. Some prices soared high, others rose moderately; while some hitherto very expensive commodities became abundant and cheap.

everything in England and in France tended to keep wages as near as possible the barest subsistence margin.

For instance, about 1585, a London journeyman's wages would be about double what they were a century before—tenpence to fourteenpence a day ; but with bread three to four times as much, meat more than double, and most ordinary commodities about trebled, he was really worse off then than his great-grandfather. However ignorant he might be of the economic causes of the phenomenon, he could not help feeling where the shoe pinched ; and if we bear in mind that the London journeyman's plight was that of the vast majority of workers in town and country all over Europe, we shall easily understand why the sixteenth century was a period of great social and industrial unrest, especially in trades in which some kind of rudimentary workers' associations were possible. Bakers, tailors, printers—all protested by riots and strikes against low wages and bad food (Nuremberg 1465, Wesel 1503, Paris 1579 and 1583, Lyons 1539, 1541 and 1571). Most of these protests were unsuccessful from the workers' point of view, but helped to maintain an atmosphere of restlessness and thereby stimulated the preaching of new political, social and religious doctrines.

WEAKENING OF MUNICIPAL AUTONOMY.—The weakening of the guilds brought with it a change in the position of the towns whose rise had been so closely bound up with them. The spread of commerce naturally made for prosperous, wealthy cities ; towns grew in size and in importance, and tended to play a steadily more important part in the general national economy. But this material growth did not correspond to a growth in political power. Municipal autonomy did not fit in with the royal policies of centralisation and absolutism, and all over Europe the proud semi-independent corporations had seen the royal authority gradually draw to itself all the realities of power, leaving to the towns but the pomp and show of handsome buildings, mayors in gorgeous robes and chains of office, and formal deliberations on municipal affairs, which needed the sanction of some royal official if they went outside the domain of parish pump politics. In England, the separate representation of boroughs in Parliament went some way towards maintaining municipal dignity, and centralised control was not as complete as in France ; but with rare exceptions the sixteenth-century towns had become merged into the states to which they belonged geographically.

Whether in the long run the towns lost or gained is a debatable point. Some writers would argue that the day of small political units was gone, and that the persistence of small city republics

would have been a hindrance to those great unifying movements which created the modern states. Others, less certain that the modern states have been an unmixed good, wonder if such city republics might not have preserved certain traditions of free government and spontaneous culture, which might have checked some of the evils of modern times. They point out that the Italian cities maintained their separate existence for another two or three centuries, and were not less happy on that account, their economic decay being due to poor economic policy rather than to political independence. But it is difficult to imagine how any cities situated within the zone of influence of the new states could possibly have remained apart; city republics only survived on the fringes of Europe, and where no centralising authority could reach them—on the coasts of the North Sea, on the Baltic, on the Mediterranean, and in the mountain fastnesses of the Alps.

§ 5. TRANSFORMATIONS IN AGRICULTURE

CHANGES IN AGRICULTURAL DEVELOPMENT.—Mediaeval agriculture had presented a picture of great uniformity in general conditions, with great varieties of detail from region to region. We are now at a point where, although subjected to the impact of the same forces, the agricultural development of various countries begins to take different directions, owing to differences in political, social and legal organisation.

Agricultural production in general had made some progress since the fourteenth century. Very largely owing to the encouragement given by a number of well-meaning sovereigns, the work of clearing waste and forest land had gone ahead, irrigation and drainage had been developed where needed, the art of gardening had learned valuable lessons from Italy and, in fact, may be said to have been really introduced into western Europe by the Italian wars of the French kings at the end of the fifteenth century. Although no startling discoveries in methods of tillage had been made, yet the yield per acre was increasing, food and clothing were of better quality, more varied, more abundant. Miserable as many peasants were still, there is no doubt that standards of living had risen.

WOOL AND ENCLOSURE.—But the main factor in the agricultural evolution of the later Middle Ages was the impact of the enormous development of the wool trade, an impact which provides a striking illustration of the interdependence of every aspect of economic life. The expansion of markets had caused

a great expansion in the demand for wool. This made wool-growing, and therefore sheep-farming, an increasingly profitable business; but pasture land must be enclosed, as cattle cannot be left to stray on to the neighbour's land. Hence the process, first of enclosing your own land, then of bringing within your enclosures any land you can safely annex. Hence the almost complete disappearance of the common land, still so important in the mediaeval manorial system. This process is particularly striking in England, but is to be found almost everywhere. Most of the common land was eaten up by the lords; in France, a law of Louis XI allowed them to appropriate one-third, as long as they laid no claim to the rest; in Germany, not only were commons appropriated but even the land of customary tenants. In England, a law of 1552 allowed lords of the manor to 'approve themselves of their wastes, woods, and pastures, notwithstanding the gainsaying and contradiction of their tenants,' and made it 'treason or felony for twelve persons to meet to break down enclosures or to enforce a right of way, or to assemble for the abating of rent or of the price of corn.'

BLACK DEATH.—It is easy to understand that these processes would cause much disturbance and dislocation of economic life, and that they would be greatly hastened by anything that would make labour scarce and therefore more expensive. Landlords would then turn to activities requiring less labour than tillage. Hence the importance of the Black Death. This name is given to an epidemic of bubonic plague which swept over Europe at intervals between 1348 and 1391, and is alleged to have carried off from a half to two-thirds of the population, even more in some of the most densely populated towns, probably not less than 24 to 25 million people in all—the heaviest mortality known to history. The economic consequences of such a disaster are obvious enough: it created an extraordinary shortage of labour, and this naturally led to a rise in wages. The Black Death seemed at first to help the peasants by putting them in a stronger position against the lords in the matter of all money payments and commutation of services for rent, but complications arose. In many cases whole families died out, and the vacant land was appropriated by the local lord, who proceeded to enclose it and turn it into pasture. When after a few years the rural population grew again, the new generations found themselves cut off from access to what had once been good arable land and was now given over to animal grazing. This happened on a large scale in central Italy, in a great part of Spain, and almost all over England. Elsewhere whole districts became waste and

had to be painfully reclaimed some years later, especially in Bohemia, Hungary, Sweden, Ireland, which did not emerge for centuries from the poverty caused by depopulation. The Black Death, of course, only hastened and did not initiate the processes that were disintegrating feudal agricultural organisation, but it intensified the confusion and misery which any disintegration is bound to produce. What particularly exasperated peasant opinion was the attempt made by the state to use its authority for the checking of these liberating tendencies, by restoring the old order and reimposing old burdens. The English Statute of Labourers of 1351, prohibiting the demanding of higher wages than before the epidemic, is paralleled by a contemporary statute of John I of France, limiting to one-third any increase in wages.

CHANGES IN THE CONDITION OF WORKERS.—The consequences of the movement from tillage to pasture were, of course, not the same everywhere. The change was most marked in those countries in which the quality of the land, climatic conditions, or the shortage of labour gave pasture an appreciable advantage over tillage. A considerable part of Spain and of England were thus directly affected, the rich grain-growing districts of France and the Rhineland much less, and most countries managed to keep a fairly even balance between the cultivation of the soil and the rearing of cattle and sheep. Everywhere, however, these conflicting economic and social forces caused great differences in the position of the peasantry. In the main, those rural elements which were tending to rise were helped upwards, those who were tending to sink were rudely pushed downwards. There was, at one end of the scale, a considerable increase in the number of small peasant landowners. This phenomenon had already begun in the fifteenth century; in France, 60 per cent. of land transfers at that period were in favour of a farmer owner. In England, as Mr. Tawney reminds us, 'it was not always the lords of great estates but eager and prosperous peasants who first nibbled at commons and undermined the manorial custom, behind which, as behind a dyke, their small savings had accumulated.' But the process was greatly hastened by the influx of money, the rise in prices and consequently a sharp fall in the real value of customary rents and other services commuted for money in the fourteenth century: it became fairly easy for peasants to obtain from lords who were short of ready cash the right to buy their holding for a comparatively small amount. On the other hand, the rise in prices meant a rise in rents, and tenant-farmers who were not protected by long leases found their rents constantly increasing. They often became unable to pay,

and were either driven back to the servile status from which their ancestors had painfully emerged, or, in England especially, were evicted from their farms and reduced to the ranks of the proletariat as hired labourers.

AGRICULTURAL UNREST.—But the most outstanding feature of the rural situation of sixteenth-century Europe is the widespread unrest of the agricultural classes. 'Mediaeval society,' says Mr. Tawney, 'collapsed in a nightmare of peasants' wars,' and the catalogue of such risings would fill many pages: we can only mention a few, such as 'Jacqueries' in Flanders between 1322 and 1328 and in northern France in 1358, where some 20,000 peasants were killed in reprisals; the revolt of the 'Tuchins' in northern Italy and southern France, a regular guerilla warfare which lasted six years (1379-85) and was ultimately suppressed ruthlessly; English peasants' revolts under Wat Tyler in 1381 and Jack Cade in 1450; numerous risings of the Spanish *Fueros* between 1391 and 1477; the great revolt in Bohemia under the inspiration of John Huss (1418-1437); numerous spasmodic risings in other parts of central Europe; a successful revolution in Sweden, where the re-establishment of serfdom was successfully resisted. The Peasants' Wars of 1525 in Germany, the Pilgrimage of Grace (1536) and Ket's Rebellion (1549) in England, form important chapters in the history of the Reformation in those countries. The actual circumstances which set alight this mass of smouldering discontent varied of course from country to country. The French Jacqueries were closely connected with the chaos and misery of the Hundred Years' War, and are far more purely economic than the English and German disturbances. The risings in Spain were directed against feudal exactions and an intolerable servile status, and were largely successful because the kings tended to support the peasants against the nobles. In England and Germany, however, there was a particularly close connection between the peasant revolts and the new religious ideas which prepared the Reformation. John Ball and Wycliffe in England, Huss, Ziska and Von Hutten in Germany, were all of them champions of the peasants' cause in a new interpretation of Christianity as a religion of economic no less than spiritual equality.

§ 6. EVOLUTION OF INDIVIDUAL COUNTRIES

This survey of Europe viewed as an economic unit has showed how the uniformity of mediaeval organisation was breaking down,

and how a number of forces were driving the various countries along different lines of development. It will add to the general clearness of the picture if we make a rapid survey of these changes by viewing each country as a separate economic whole.

DECADENCE OF ITALY.—The economic balance of power had been rudely upset by the ruin of Venice and other Italian ports, together with the decline of the South German towns through which Venice communicated with the Continent. There was, indeed, no reason, as Mr. Day points out, why Venice should not have challenged her rivals and adopted the sea route to India, but it meant a more complete revolution of outlook and policy than she could undertake. She had faced eastwards throughout her history, and the only competitor whom traditions and habits enabled her to face was Turkey. Into that struggle went all her energies, while she feebly bargained with Portugal for the right to buy spices in the Lisbon market. The capture by the Turks of Cairo in 1520, of Cyprus in 1571, forced her to make peace with her enemies on their own terms. Her Eastern trade continued; her manufactures of glass and silk did not disappear; she retained some influence as a banking centre; but her total commerce rapidly declined in bulk and she no longer seriously counted. Much the same was true of Florence and Genoa. They remained important banking and financial centres, and still carried on some luxury trades; but, by maintaining their rigid system of close corporations in all principal industries, they crippled their manufacturers in their competition with those countries where corporations had given place to a looser organisation.

This decadence of Italy is not, however, wholly explained by the shifting westwards of the axis of world trade. She might have reacted, and tried to compete, at least in the East, with some hope of success, had it not been for her hopeless divisions. The multiplicity of her internal frontiers, the lack of political co-ordination, the absence of a unifying authority capable of maintaining decent order and secure communications, all these factors crippled Italian development and ultimately reduced a great part of the peninsula to the unintelligent, oppressive rule of the Spaniards. From the sixteenth until the middle of the nineteenth century, the only description that can fit the land of Rome, Florence, Milan, Genoa, Naples and Venice is that of economic backwater.

RISE AND DECLINE OF PORTUGAL.—It was only logical and fair that the pioneers in the enlarging of the world should be

the chief gainers from the fruits of their discoveries. Portugal and Spain now enjoy a well-deserved political and economic supremacy.

First in the field in point of time, the Portuguese held for a while a practical monopoly of the Eastern trade that now came by the much easier and cheaper—though longer—sea route by the Cape. As a successful expedition could make enormous profits, it can easily be seen what wealth began to flow into that little country, especially when Brazil, her one American possession, began to yield gold and diamonds. But Portugal was soon distanced by her neighbour and rival, Spain. The fact is that her policy was wrong; but even if it had been right she had scarcely the internal resources that would have enabled her to found a permanent colonial empire. Some of her leaders had advised relying on mere trading stations, easily staffed and easily shifted if necessary, established and maintained with the goodwill and co-operation of natives having a direct interest in the success of the enterprise.¹ But her kings followed the advice of another colonial pioneer, Albuquerque, who believed in the building of fortified settlements heavily garrisoned, and secured by the annexation and control of large areas of adjoining territory. Though successful at first, this method ultimately proved frightfully wasteful and expensive. Thousands of soldiers had to be recruited and heavily paid; many of them died in battle or by disease, others lost their health and their energy, and the policy inevitably broke down; too much of the profit was being swallowed up at the source, and Portugal was too small to provide the necessary armies of soldiers and officials. She had, in fact, undertaken a task beyond her means: her resources soon became exhausted; her merchant marine began to decay; much of her trade passed into alien hands, and in 1580 annexation by Spain ended, for half a century, her separate existence as a political power.

¹ 'While the Arabs were hostile, the Hindu princes were on the whole welcoming; so were the Japanese until in 1637 they expelled the new-comers owing to the missionary activities of the Jesuits. Malacca and Goa were conquered and annexed. It is interesting to note that in all their work of discovery the Portuguese adopted a policy of secrecy, which included the suppression of facts that might serve competitors. At the same time measures were taken to find out foreign plans and the title-deeds relating to the claims of rivals. The strange silence preserved by Portuguese chroniclers of the fifteenth century about the discoveries is thus explicable. . . . Even the "Chronicle of Guinea" has been tampered with and truncated, as an examination of the text makes clear, and we have hardly any information about the Atlantic voyages to the West. . . . The policy of secrecy not only caused the suppression of historical works but also of nautical guides, maps, instructions to navigators and their reports' (*The Times Literary Supplement*; Review of Prestige's *Portuguese Pioneers*).

EXPANSION OF SPAIN.—If Portugal was too small a country for successful empire-building, Spain certainly was not. Ferdinand and Isabella had scarcely completed the unification of the Spanish provinces in the peninsula when a series of accidents made their grandson not only King of Spain but ruler of the Netherlands, Archduke and King of the Austrian dominions, Holy Roman Emperor and claimant to a large part of Italy, as well as the master of the New Spains.

Spanish colonial problems and policy differed considerably from those of Portugal. The Papal arbitration, which in 1493 had divided the New World between the two Iberian powers, had assigned to Portugal rich Eastern areas which were difficult to control and involved her in many quarrels with native authorities and rival merchants from other countries. Spain was allotted the West, *i.e.* the South American continent and West Indian islands; these countries, peopled by docile, unorganised tribes, readily converted to the outward forms of Christianity, were easy to control: the only essential condition for success was naval power to protect the convoys of ships, and this Spain easily maintained until well into the reign of Queen Elizabeth; even then, the loss of much of her sea power did not involve the loss of the greater part of her colonies until the early nineteenth century.

SPANISH COLONIAL POLICY.—But if the political and military aspects of Spanish colonisation presented no insuperable obstacles, the same cannot be said of its economic aspects. Her colonies might have been to her a source of much agricultural and industrial wealth, in providing both raw materials and markets, but little attempt was made at expansion along those lines as soon as it was realised that the New World could provide an unlimited yield of gold and silver.¹ Mining became the sole concern of the colonists: all available labour was directed along that one channel. The precious metals began to flow into Spain, and thence into Europe. At first, of course, it meant great apparent wealth, but not to the degree anticipated. Bad taxation and corruption left in private pockets huge amounts that should have gone to the government, so that the profits from the West failed to keep pace with expenditure on wars: nothing could be saved in the reign of Charles V, and by 1560

¹ As an example of incapacity for economic affairs which Mr. Tawney calls 'almost inspired,' may be mentioned the extraordinary restrictions placed by the Spanish Government on emigration to the colonies, the forbidding of settlers to engage in any activity which might compete with a Spanish industry, and a number of equally foolish restrictions on colonial trade.

Spain's debt amounted to some 100 million dollars, bearing from 15 to 30 per cent. interest.¹ When, a few years later, war broke out in the Netherlands, large sums were needed to finance armies which constantly mutinied because of delays in their pay; and the loss of the Northern Provinces deprived Spain of one of her richest dependencies.

SPAIN'S ECONOMIC DECLINE.—The position of Spain towards the end of the sixteenth century thus presented a sharp contrast between apparent power and serious inner weaknesses. Outwardly she seemed prosperous enough: her harbours were among the most thriving in Europe; her fleet, protected by a law of the year 1500 forbidding the loading of Spanish cargoes on foreign vessels, numbered over 1000 ships. She had a number of flourishing industries: wool, leather, paper, steel; militarily and culturally she stood second to none. Her agriculture appeared flourishing: careful irrigation gave a large yield of fruit, olives for oil, vines, cane sugar. Few people, if any, realised that this apparent prosperity rested on no solid foundation. Her hidden weaknesses can be quickly summarised. Politically, the absence of any unity of organisation among her various dependencies; wasteful wars; a blind and stupid absolutism, forbidding any free expression of opinion, expelling the Moors, persecuting the Protestants, driving the Netherlands into revolt. Economically, the pursuing of the misguided policy—similar to that pursued by England—of making the wool trade the chief industry of the kingdom. With this end in view, the Spanish kings allowed the association of wool-growers called the *Mesta* a number of advantages which practically sacrificed grain cultivation to sheep-rearing; not only were exemptions from taxation and numerous other privileges granted, but laws were passed to force back into pasture land actually reclaimed from waste and turned to tillage. But the success of such a policy demanded an assured market for the wool, the sale of which made it possible to buy abroad the food which the country no longer produced. In England those conditions were, on the whole, realised, though at a high cost to the best interests of the nation; in Spain they were not. Foreign cloth competed successfully in Spain itself with Spanish cloth, all the more so on foreign markets. The number of sheep began to diminish, and pasture land turned to

¹ It is calculated that about 70 per cent. of Spain's revenues went to wars. In January 1597, Philip II owed six million crowns to Genoese merchants alone. When he died, in 1599, a special tax on every measure of grain or flour was levied for the payment of his debts, and all double crowns and silver dollars were broken up and smaller coins made. An embargo was also placed on the export of gold.

waste. Rural depopulation went on apace, and swelled the number of beggars in towns; the wealth from the New World went abroad to pay for corn, the importation of which in large quantities had to be allowed in defiance of mercantilist principles. Add to this bad finances, the survival of absurd and archaic restrictions and prohibitions which made Spanish manufacturers ultimately helpless before the competition of more freely organised rivals, and an inborn contempt of the real Spaniard for commerce and industry; so that by the beginning of the next century a great part of Spanish trade was in the hands of foreigners, and a large proportion of Spanish wealth passed straight into alien hands.

But, as we have said, those symptoms of future decay were hidden to contemporaries; at the stage we have reached of economic evolution, the Iberian had replaced the Italian peninsula as the centre of economic power.

THE NETHERLANDS.—If we compare the position of the Netherlands in 1350 and 1600, the obvious point of difference is their political division and the contrast between the decay of the Southern Provinces and the growing destinies of the now independent Northern Provinces.

The Southern Netherlands, already one of the prosperous and active parts of mediæval Europe, had steadily grown in the fifteenth and early sixteenth centuries: the opening up of Atlantic traffic favoured harbour towns on the North Sea; Antwerp, with its sheltered harbour up the Scheldt, rapidly drew to itself the trade of Bruges, and by the middle of the sixteenth century numbered some 200,000 inhabitants, over a thousand business firms, with fifty ships coming in every week, and a revenue from customs of 726,000 florins. After 1550, it is true, Ghent appears as a rival, with a heavy Norwegian and Russian trade, exporting linen and woollens and importing timber and furs. But though Ghent might compete with Antwerp for some of the latter's overseas trade, she could not shake her position as a financial metropolis: Antwerp was the centre of European banking and credit, the most cosmopolitan city in Europe, a centre of learning, of book production, of art, a hotbed of new ideas of all sorts of which Erasmus was 'the prophet without sackcloth and the reformer without fury.' The industries of linen cloth, satins, ribbons, velvet, blown glass, printing, were steadily expanding, and about 1550, in spite of much industrial unrest and occasional disturbances, an era of continued prosperity seemed to lie ahead.

Religious and political fanaticism was going to destroy all this happiness. Protestantism appeared and expanded; political and

religious grievances became mixed and produced rebellion ; violent repression and religious persecution followed and were successful. Spain retained her control of the ten Southern Provinces, but at the cost of their economic prosperity. Many of the best workers emigrated ; miles of once smiling countryside were desolate ; towns were decaying ; Antwerp was deliberately sacrificed by Philip to his resentment ; in 1598 it was forbidden to trade with America and India ; it became blocked by the Scheldt sandbanks, and, although some measure of prosperity was later to return, the closing of the Scheldt became a cardinal point of French and English policy until the nineteenth century.

The new state of the United Provinces, independent in fact since 1581, and in law since 1610, was the chief inheritor of the economic power of the old Netherlands. Rotterdam and Amsterdam, already important as fishing harbours, rapidly drew to themselves the trade that had gone to Antwerp ; many of the ablest merchants of the Southern Provinces, and later of France, migrated northwards for the sake of religious freedom, as did many thousands of Jews, and developed industries of every kind. Being short of corn, the Dutch organised a large shipping service to import it from the Baltic, and carried on the surplus of it to the Mediterranean. Dutch ships replaced Spanish ships in the Indian trade, and soon obtained the monopoly of commerce with the spice islands. In 1593 the first Dutch company was formed for trade in the Indies ; five years later a number of such organisations had fused into the powerful Dutch East India Company. The Dutch were, in fact, rapidly becoming the principal carriers of world trade, with Amsterdam as the chief banking and credit centre of Europe. The Northern Provinces seemed on the high road to a dominating position in European economics.

GERMANY.—Although Germany had, of course, had her share of that general increase in wealth and prosperity which is the great difference between the mediæval and modern period, it is probably true to say that in comparison with other countries her importance had diminished. This was due to a variety of reasons. First, to her lack of political unity and central control : while her neighbours were becoming strong unified states, she remained a confused mass of several hundred territories, of which only a very few, such as Saxony, Brandenburg, Bavaria, Austria, were large enough to have any real economic policy. The wealth gained, instead of going as taxation into the coffers of a single sovereign to be used for the systematic development of the state, was squandered by a multiplicity of little governments in various forms of unprofitable expenditure. Secondly, the dis-

covery of the New World and the changes in trade routes upset the mediaeval system, in which South German towns dominated all the important roads from the East. With the decay of Venice came the weakening of these cities through which Eastern goods, landed in Venice, were carried west and north—Ulm, Ratisbon, Nuremberg, Augsburg.¹ It is true that enterprising German merchants began to migrate to new centres such as Lisbon, Barcelona, and even to America; Germans leased silver and copper mines in Cuba and Mexico; German ships were to be found in the overseas trade convoys; Hamburg financiers actually bought from Charles V the whole new province of Venezuela, although they were unable to colonise it and had to cede it back to Spain. But this kind of business could only be carried on by a small number of big companies: the small trader, who could still make a good thing out of foreign imports on a limited scale from Italy in the fourteenth and fifteenth centuries, was completely driven out of business, and huge fortunes made out of his ruin. On the other hand, the German merchants showed peculiar gifts for big business, and most of the large firms of the sixteenth century were German.

Thirdly, the continuation of a narrow gild system, more deeply rooted and more exclusive in Germany than elsewhere, increasingly hampered German industry. Certain towns, like Leipzig and Chemnitz, developed the growing industry of cotton textiles. In the main, however, Germany's industry tended to be beaten by the industrial development of her western neighbours, though her exports to eastern Europe remained considerable.

Fourthly, German agriculture, very prosperous in the fourteenth century, had greatly suffered in the civil disturbances and peasant risings of the fifteenth and early sixteenth centuries. The German peasants, once perhaps the most prosperous of European peasants, at least in western and central Germany, were thus reduced in large numbers to virtual serfdom. They made a last effort at resistance in 1524: they declared that 'they would no longer be the property of any lord, since Christ had redeemed all men from the herd to the highest'; they further objected to being tied to the land, demanded that the forest should once more be common, that excessive rents should be reduced. They failed completely: the rising was savagely suppressed; thousands were massacred, amounting to from half to two-thirds of the population, and serfdom once more had the survivors in its grip. In the east serfdom had always prevailed. Thus Germany, like Italy, was

¹ Augsburg retained some importance as the headquarters of the Fuggers and as a manufacturing centre for jewels and gold and silver plate; Nuremberg kept its reputation for toys, printing and watchmaking, but their great days were gone.

going, economically, downhill. The Hanse was dying; the guilds were crippling industry; internal barriers and political unrest hampered trade; the working classes, both rural and urban, were distinctly worse off than in most other countries.

FRANCE.—France in 1600 was still, as in 1350, economically second rate by the side of Germany and Italy. This was not due to any lack of natural advantages of geography and climate and of natural resources, both in men and materials, in all of which she was, on the contrary, greatly favoured—but to political and social circumstances. The Hundred Years' War, forced on her by the foolish policy of Edward III and Henry V, had reduced the country to desperate straits. 'Everywhere,' says a contemporary, 'peasants are dead, or in flight; fields wasted and untilled. I have seen vast plains of the most fertile land covered with bushes and scrub, deserted, uncared for. Only just round the towns was any cultivation, within the area that could be surveyed by a watcher posted on a high tower, who could give warning of the approach of soldiers or of bandits.'¹ As late as 1470, many parishes in the diocese of Paris had but ten families, some less; churches were crumbling down, epidemics were frequent; in the city itself many houses were still in ruins in 1497. Half a century later the Wars of Religion were to have the same results.

ECONOMIC REVIVAL IN THE SIXTEENTH CENTURY.—There was, indeed, a period of economic revival between the two conflicts, under Louis XI (1461–83) and especially Francis I (1512–47); industries were stimulated by a protectionist policy of which instances have been already quoted; standards of life rose very appreciably, especially among the middle classes; it was a period of much building of comfortable bourgeois residences, of manufacture of good furniture, of much luxury in dress. French seamen had discovered Newfoundland, had made a temporary settlement in Florida, had explored Canada in 1534, and established trading posts in western Africa and Brazil.

The growing importance of Atlantic trade contributed to the expansion of France's western harbours, Rouen and Dieppe; these, however, were soon to be eclipsed by the new port of, Le Havre, at first mainly destined for men-of-war, but rapidly becoming the chief centre of the North American traffic. On the other hand, Mediterranean harbours declined, except Marseilles, which not only gradually obtained the virtual monopoly of the

¹ Quoted by Sée, *Histoire économique de la France*, p. 161.

French trade with the Near East but gained much of the trade which used to go to the Italian ports. Inland, Lyons was rapidly becoming not only the centre of the silk industry but also, thanks to its position at a crossroads of world highways, a great commercial and banking centre. And not far from Lyons a new and rival centre of world activity was appearing. Hitherto a small episcopal city, Geneva had suddenly become the fortress of Calvinism, the refuge for banished Protestants. This brought her great prosperity, as many of the refugees were wealthy men with much courage and business enterprise. Geneva was also open to Jews, and all these circumstances soon made her a great commercial and credit centre.

SMALLNESS OF FRENCH FOREIGN TRADE.—In a general way French commerce and industry tended to remain geographically local and materially on a small scale. Foreign trade was mainly with Italy, Germany and Spain, linen and wines being the chief articles of export, with some jewellery, ironmongery and paper; imports were mainly either luxuries or raw materials for textiles, the country being practically self-supporting in food, and foreign manufactures being practically prohibited; industries were still largely organised on the gild system. Shipping was normally chiefly for coastal purposes; big merchants were comparatively few in number, a Jacques Cœur being the exception. The great fairs of Champagne and St. Denis were rapidly declining. Agriculture was still burdened with heavy feudal dues; although many peasants owned their farms, these were usually very small, and many rural workers were still in a condition that bordered on serfdom. In fact, the encouragement given by the kings to economic development had been on the wrong lines of stimulating the decaying Levant trade and luxury industries such as silks and fancy articles. The great days of France were not yet.

ENGLAND.—The England of Elizabeth is still a small country in area (Scotland was a separate kingdom, and Ireland practically a colony) and a second-class country in political and economic power. Of all the advantages that were later to give her such a dominating position, few were visible to the superficial observer; she was indeed prosperous, but her industries were very limited in scope, wool and cloth absorbing all her energies and interests; her mineral resources were virtually untouched, except for tin mines in Cornwall and iron mines in Sussex; her shipping and her foreign trade, while expanding rapidly, were by no means predominant; her towns and merchants were not startlingly wealthy; London numbered perhaps some two hundred thousand

inhabitants,¹ but the other chief cities, such as Bristol and Norwich, scarcely reached ten thousand.

POWER OF COMMERCIAL CLASSES.—England's advantages, however, were real. The disintegration of feudalism, both political and economic, had advanced much further there than elsewhere. After the disturbances of the Wars of the Roses a strong central political authority had been re-established, and the system of government gave the chief economic interests a chance of expressing themselves in Parliament and of exercising a considerable influence on general policy. 'Thus the political turmoils of the fifteenth century, especially those of 1459-62 and 1469-71, gave a sharp but transitory set-back to English trade. Business quickly recovered; the buoyancy shown is, on the whole, remarkable. One gets the impression that throughout the political struggles there was an increasing body of merchants, both native and foreign, who were not seriously concerned with immediate political advantage like members of Parliament, but were determined steadily to advance the interest of their corporations by all means in their power. These men have left traces of their activities in the churches and guildhalls of England and in the development of maritime enterprise, with which more than a little piracy was mingled. Economically, they brought the country through the storms of its politics and were ready, when it came, for the new dynasty that provided them unfluctuating support in the interests of national power.'² In industry, the guilds had ceased to exercise any appreciable restraint, and new forms of industrial organisation were rapidly growing up, more fitted to a competitive world. After being a distinctly non-maritime nation until the fifteenth century (to talk of the 'naval genius of the race' or of 'seafaring being in the English blood' is, as Sir John Seeley points out, sheer nonsense), the English took to the sea and were rapidly catching up the Spaniards, though the Dutch kept ahead for another century. England's geographical position, and the wisdom of her kings, kept her out of unnecessary foreign wars, and left her able to concentrate on the development of her institutions and on expansion overseas. The

¹ The population of London has always been remarkably large in proportion to that of other towns and of the country as a whole. According to Dr. Creighton, it was about 50,000 at the beginning of the sixteenth century, then increased very rapidly, reaching 150,000 by 1590, and 225,000 by 1605. All calculations are, however, tentative. An official census made in 1631 gave the figures at 130,000, but the area covered in this inquiry was smaller than that covered by the Death Registers, or 'Bills of Mortality,' on which Dr. Creighton based his calculations (*Encyclopaedia Britannica*, article 'London,' in Eleventh Edition).

² *The Times Literary Supplement*, review of *Studies in English Trade in the Fifteenth Century*.

importance of this geographical position cannot be overestimated : it made her comparatively safe from invasion, well away from European war centres, and, after keeping her on the fringe of the existing world till the end of the fifteenth century, suddenly put her in the forefront of a world expanding westwards.

THE PROBLEM OF ENGLISH AGRICULTURE.—At the point we have reached, however, England was beginning to suffer from an inner weakness that was not to make its full effects known for many a long year, but had nevertheless taken deep root in her system. She had definitely embarked upon the policy of sacrificing her agricultural to her industrial development. That, of course, does not mean that she was not still overwhelmingly rural and agricultural, but she had taken the turning that was to lead to her disproportionate industrial development in the nineteenth century.

We have already shown how, in other countries as well as in England, the high prices obtained for wool in the fifteenth century had encouraged sheep-farming at the expense of tillage, and created the movement towards enclosures on a high scale ; echoes of the evil effects of this policy are to be found throughout the literature of the time :

Sheep have eat up our meadows and our downs,
Our corn, our woods, whole villages and towns,
Yea, they have eat up many wealthy men,
Besides widows and orphan children,

says a sixteenth-century ballad, and we may quote again the famous bitter words of More's ' Utopia ' : ' Your sheep that used to be so meek and tame, and so small eaters, have now become so great devourers and so wild that they eat up, and swallow down the very men themselves. They consume, destroy and devour whole fields, houses and cities, noblemen, gentlemen, abbots, holy men, . . . leave no ground for tillage, but enclose all into pastures ; they pull down houses, they pluck down towns and leave nothing standing, but only the Church to be made a sheep-house. That this covetous and insatiable cormorant and very plague of his native country may compass about and enclose many thousands of acres of ground, together within one pale or hedge, the husbandmen are thrown out of their own, or else, either by deceit or fraud, or by violent oppression, they are expelled, or by wrongs and injuries they are so worried that they are compelled to sell all ; by one means or by another, either by hook or by crook, they must depart away, poor, silly, wretched souls, men, women, husbands, wives, fatherless children, widows,

wofeful mothers with their young babes and their whole household,—away they trudge, out of their known and accustomed houses, finding no place to rest in. . . . And when they have wandered abroad, till all they have is spent, what can they do but steal, and else justly be hanged or go a begging, and be cast in prison as vagabonds because they go about and work not.’

ENCLOSURE AND ITS CONSEQUENCES.—It would be a mistake to think that nothing was done to check the evil.¹ As far back as 1489 an Act of Parliament declared that ‘where in some towns two hundred persons were occupied and lived of their lawful labours, now there are occupied two or three herdsmen, and the residue fall into idleness,’ and ordained that ‘wherever twenty acres of tilled land had been let with a house within the last three years, this land should continue to be tilled on pain of forfeiture of half the profits to the King.’ An Act of 1536 limited the number of sheep kept by any one person to 2000. But these measures failed to check the process, so strong was the economic advantage of grazing; and the dissolution of the monasteries only intensified the evil. Huge estates were suddenly thrown upon the market by the Crown, and bought up by speculators who promptly turned thousands of acres under tillage to the more profitable pasture; rural depopulation thus went on until the middle of the century.

‘Not ten miles away rises a handsome parish church. The tithes still levied on the grazing land about pay the vicar, but he often reads the prayers to an empty church, with only a doddering old clerk to quaver the responses. Around the building are simply the manse and a series of moss-crustcd cellars. A hundred years ago this was the good village of Merryfields. To-day the squire of Merryfields is only interested in the price of wool.’²

The village of Merryfields is a fictitious place, but the description is unfortunately accurate enough as regards many once prosperous villages, and the problem was how to deal with the people who had been turned off the land. Some became absorbed into the towns, as workers in various industries, but many, as More says, wandered round the countryside begging.

¹ It is probable that contemporary opinion exaggerated the extent of the evil. In all likelihood, not more than half a million acres, less than 3 per cent. of the total soil, was enclosed. It is also true that the old system was uneconomic and wasteful, so that enclosing was becoming necessary for the full development of the land. ‘The poor man who is monarch of but one enclosed acre will receive more profit from it than from his share of many acres in common with others,’ says Fuller, a contemporary chronicler; but the widespread references to the subject show that public opinion saw mainly the evil aspects of the process, and these obviously predominated.

² Davis, *Life in Elizabethan Days*, p. 176.

In order to deal with this evil, and with the problems of poor relief caused by the dissolution of the monasteries that used to help the destitute of the countryside, special legislation was passed. By these laws parishes had to keep such people, the cost being met by special taxation or 'poor rate'; this money was to be used in relieving the aged and sick, in apprenticing children, and in setting the able-bodied to work. These measures again might have proved of little use if rural depopulation had continued, but by the time Elizabeth came to the throne in 1558 the process of enclosing had slackened. The rise of prices began to affect the price of corn, so that agriculture became less unprofitable in comparison with grazing; the exportation of wheat, forbidden under Henry VII and Henry VIII, was allowed after 1560; on the other hand, the new policy of forbidding the export of wool, so as to make cloth cheap for selling abroad, while favouring the cloth manufacturers, naturally injured the sheep farmer. All these circumstances helped the revival of tillage in the later years of the sixteenth century, both on large farms, run as big business concerns by agricultural capitalists, and on small 'copyhold' or tenant holdings. But, although the evil of enclosures had been checked, the damage had been done. The old village community, surrounded by its open fields, was now gone. Instead were individual farms surrounded by their own acres of land; some distance away was the village with the church, the small shops and local industries, and a few varied residents, labourers, etc. The whole aspect of the countryside had been revolutionised; the big estate had become the rule, not the exception; and the small independent farmer, the real peasant, had practically ceased to exist.

THE ENGLISH CLOTH TRADE.—The development of grazing at the expense of tillage, of the large estate at the expense of the small farmer, had not been the only result of the encouragement given to the woollen industry. The making of cloth had received such a stimulus that it had become the dominant industry of the country. 'The making of cloth within all parts of the realm is the greatest occupation,' says a member of Parliament in 1454; and 150 years later another member declared that the English had 'too great a clothing commonwealth.' 'Clothing is the greatest wealth and best employment of the poor in this Kingdom,' wrote Sir Thomas More, 'yet nevertheless we may peradventure employ ourselves with better safety, plenty and profit in using more tillage and fishing, than to trust so wholly to the making of cloth.' England had launched herself on a career of economic specialisation, which indeed was to bring her great

wealth and power, but was also to destroy harmony between the various economic activities of the country.

§ 7. CONCLUSION : THE REVOLUTION IN RELIGIOUS THOUGHT

THE NEW SECULAR OUTLOOK.—This chapter has shown how an enlarged geographical and physical outlook, with all its consequences, was the chief feature which contrasts the world of 1600 with that of 1350 ; and we may turn, in conclusion, to the change in spiritual outlook which accompanied these material events. This change is best expressed in the term 'secularisation of life.' Now 'secular' does not mean 'anti-religious,' but only 'separated from, distinct from, religion,' not related to or determined by religious principles or motives. The world of 1600 was perhaps less directly religious than the world of 1350 ; some people would affirm it, others deny it ; but it certainly no longer held the same ideas as to the manner and extent in which religion should control life in general and economic life in particular.

THE REFORMATION.—The outward manifestation of this new outlook was the Reformation. It was far more than the separating of Western Christendom into two hostile parts. It could never have occurred if men's opinions as to the need for a universal Church had not altered. Before Protestant Churches could appear, organised on a national basis, formed with the help of princes against Pope and bishops, men must have lost their belief in the divine ordinance of a single supreme spiritual authority. The Reformation was thus the result of a revolution in ways of thought. And it is significant that, even in those countries which remained Catholic, the claims of the Church to an authority superior to that of the State were no longer allowed ; in the middle of this struggle against Luther, the Emperor Charles V made war on the Pope ; the most Catholic of post-Reformation sovereigns strenuously fought the Papacy's claims to direct world policy. Political friendships were made without any reference to religious solidarity or hostility ; the alliance of Francis I of France with the Sultan of Turkey against the Emperor, and later of Cardinal Richelieu with German Protestant princes, of Cardinal Mazarin with Cromwell, the heretical slayer of kings, all illustrate a divorce between politics and religion that would have horrified any mediaeval statesman. And on the economic side, the system we have been describing, with its competitive trade, industrial capital invested at high

rates of interest, individualism in industrial organisation, prices and wages fixed solely by the law of supply and demand—all this was in itself the negation of all mediæval economic principles.

An important indication of this refusal to allow the Church to lay down any longer the rules of political or economic organisation is to be found in the replacing of ecclesiastical Canon law by Roman civil law, the expression of a system built on a competitive money economy. Roman law was opposed to guilds, and to all organisations within the State, as dangerous to political unity and centralised control : it was opposed to theories of a just price, the right to buy in the cheapest and sell in the dearest market being expressly admitted in the Justinian Code. Recognising as absolute the rights of private property, it gave to landlords a free hand to do what they pleased with their estates, and to owners of capital a free hand with their wealth. When the revolted peasants of 1381 put to death every lawyer who fell into their hands, on the plea that 'not until all these were killed would the land enjoy its old freedom again,' they were cruel and revengeful, but perhaps put the finger on one of the chief factors in the dissolution of the old mediæval order.¹

PROTESTANTISM AND SECULARISM.—The tendency towards the secularisation of life, which is the characteristic of the Renaissance era,² was therefore already manifesting itself before the Reformation ; and in many ways the Reformation was a protest against it. The founders of the various Protestant Churches emphasised just as much as any Catholic the idea of 'a theocratic civilisation in which all departments of life, commerce and industry were to be regulated in accordance with the law of God.' Zwingli condemned interest as contrary to the law of God ; the author of the 'Divine Evangelical Reformation' urged the abolition of merchant companies ; Ulrich von Hutten classed merchants with knights, lawyers and clergy as public robbers ; and von Kaiserberg wrote that monopolists should be exterminated like wolves. Most bitter of all was Luther, who declared that 'traffic in interest was invented by the Devil . . . that foreign merchandise, which brings from Calicut and India and the like places wares such as precious silver and jewels and spices and drain the land and people of their money, should not

¹ See Penty, *A Guildsman's Interpretation of History*, chapter iv. The mediæval idea of private property was that it was lawful, but that 'the original common right remained and was represented by the obligation to maintain the needy. Almsgiving was a question of justice not of mercy. Property was the creation of the State and was limited by its utility' (A. J. Carlyle, in *Property, its Rights and Duties*, p. 118).

² Dr. G. P. Gooch aptly summarises the Renaissance as primarily 'a revolt against the ages of faith.'

be permitted,' and would have denied Christian burial to money-lenders. Finally, Calvin and his company of Genevan ministers denounced money-lenders and carried out the strictest control over the private income of the citizen. It would, in fact, be difficult to find a more perfect instance of the ideal State according to mediaeval Catholic ideas than Protestant Geneva in the sixteenth century.¹ But economic forces were too strong, and both Protestant and Catholic religious leaders gave in and, instead of trying to stem the tide, slowly built up another philosophy justifying the accumulation of riches as the reward of toil and forethought, and reserving their blame not for him who made money but for him who spent it unwisely instead of investing it in ways of social utility.

¹ The foregoing quotations are all from Tawney's *Religion and the Rise of Capitalism*, which is easily the most important book on the subject. See also Robertson's *Rise of Economic Individualism*. Dr. Robertson points out that 'there is a Catholic counterpart to all Puritan beliefs about commerce. . . . It would not be difficult to hold that the encouragement of economic rationalism was even stronger among Catholics than among Protestants,' and he singles out the financial importance of such a Catholic stronghold as Antwerp, and the concessions made by the Jesuits to the new conceptions of trade and usury. There is a Catholic reply to this book by Father Brodrick.

CHAPTER V

THE AGE OF COMMERCIALISM

PROGRESS, 1588-1788.—We shall place ourselves for our next survey about the year A.D. 1788. The reason for choosing this date should be obvious: it shows us the economic world at the eve of two revolutions—the political turmoil of the French Revolution, which was itself to have important consequences in the economic and social spheres, and the profound changes in economic organisation which we call the Industrial Revolution.

To take, as it were, a picture of Europe on the threshold of those changes has a double advantage. We get first of all a good idea of what things were like before the whole structure of society underwent drastic alterations; we can also discern the forces at work which are bringing about those alterations, and realise how even apparently sudden events are really prepared by what went on before.

The two centuries which have elapsed since our last survey reveal this double process very clearly. In themselves, they do not contain any such obviously epoch-making events as the Renaissance, the Reformation, the discovery of the New World, the influx of precious metals. Even the timid attempts made in the use of steam and of new machines for textile work have not as yet brought about such evidently revolutionary changes as the invention of printing. The economic evolution of this period is on the whole slow, though there came a perceptible increase of speed in the latter half of the eighteenth century. Even then, however, it is rather the preparation for big changes than big changes themselves which we have to study.

I. THE WORLD OF COMMERCE

§ I. THE STRUGGLE FOR COMMERCIAL SUPREMACY

NEED FOR MARKETS.—The expansion of trade was still, in the eighteenth century, strictly dependent on the expansion of

a known assured market, on the certainty of definitely growing needs. Nowadays, with our capacity for large-scale production, for swift transport from the factory to practically any part of the world, for intense advertising, it is possible almost to create a demand for an article manufactured in anticipation of this demand. Modern industry, with its perpetually increasing ability to produce, rests on the assumption that it can create new needs practically at will to absorb these new productions. It can (or at least it could) almost be said that industry created trade. What the world is suffering from as we write (spring, 1935) is precisely that industry seems to have reached, at least temporarily, a point at which the world can no longer absorb the new goods which industry must go on producing in ever-increasing quantities if it is to keep fully employed its army of men and machines.

A century and a half ago the situation was quite different. Industry had to be perpetually stimulated by commerce ; there was no increase of goods without a new demand for them. Every invention was the result of attempts to discover methods by which goods could be manufactured in larger quantities to meet increasing needs. It is thus with the increasing demand and its causes that we have to deal.

The expansion of commerce which we studied in the last chapter had been due to the discovery of new continents, but although some progress in exploration had been made since 1600, this had brought no startling expansion in the world known to man. Australia and New Zealand had been discovered as a result of the voyages of Tasman, Cook, Vancouver, La Peyrouse ; the coasts of Africa had been explored more fully ; trade routes were becoming better known ; sea charts were more scientific and accurate. But if the world had not materially grown to any extent, it had greatly expanded as a market. The Cape of Good Hope had become a Dutch colony ; all round the coasts of India and the eastern coast of North America had been built up a series of English and French settlements ; the West Indian islands and the huge continent of South America were becoming increasingly peopled with emigrants from Europe. All these people needed a multiplicity of European goods which they could not produce, and could in return enrich Europe with articles which, once luxuries, were becoming almost necessities : coffee was rare in 1700 ; but its consumption doubled between 1710 and 1720, doubled again between 1720 and 1730, trebled between 1730 and 1735, so that in that last year twelve pounds were consumed for every pound in 1700. Tea was a luxury in the seventeenth century ; by 1740, ' the poorest families in the

lowlands of Scotland had given up beer for tea.' The import of sugar increased eightfold between 1700 and 1780; rice, practically unknown in 1734, was in general use fifty years later, judging from recipe books of the two periods.

RISE IN STANDARDS OF LIVING.—Commerce was thus helped by two factors: an expanding foreign market and an expanding domestic market, due partly to the increase in population, partly to a steady rise in the standards of living. Of the latter it is worth noting that, just as such rises were denounced by conservative Romans as demoralising, so now 'when people began to demand white bread instead of black, tea and coffee to drink instead of cheap liquors, leather shoes instead of wooden, and glass for windows instead of oiled paper, they were regarded as perversely trying to rise above their station in life.'¹ The increase in population will be discussed later; it is enough to say here that the population of England practically doubled within those two centuries, and that similar increases are to be noticed in all countries that had any active economic life.

Expansion of markets and of population thus demand new goods; industry is stimulated into discovering more effective processes in large-scale manufacture, especially through division of labour and through machinery, and is thereby led to demand bigger markets. It is a circle; 'only as demands emerged could there be a stimulus to more division of labour; only as new products were made available could new wants arise.'² And the whole process was slow; it is not until the next century that we have to deal with startling figures. One instance will suffice here: between 1700 and 1790 English foreign trade increased by about 300 per cent.³—a rate of increase of 33 per cent. per decade; but in the next decade the rate of increase was nearly 200 per cent.

ENGLAND'S RIVALS.—The figures just quoted apply to England, and by 1790 her commercial supremacy had become so overwhelmingly marked that we can scarcely imagine any other possible conclusion to the great struggle of which we saw the opening stages in the preceding chapter. But until well on in the eighteenth century the result was by no means such a foregone

¹ Packard, *The Industrial Revolution*, p. 32.

² Forrest, *Development of Western Civilisation*, p. 325.

³ In 1700: exports £8,000,000, imports £6,000,000; shipping from British ports, 300,000 tons.

In 1790 these figures are £20,000,000, £19,000,000, and 1,400,000 tons.

In 1800, £42,000,000, £31,000,000, and 2,000,000 tons.

(See diagram in Mantoux's *Industrial Revolution*, p. 104.)

conclusion. Holland, Spain (to a limited extent), and especially France, were all serious competitors. Some bad mistakes on the part of England, a more intelligent policy on the part of France, and modern economic history would read very differently indeed.

The general characteristics of the foreign commercial policy of all these countries were much the same, both in general aims and in actual methods. They all tried to be as independent as possible of each other; all relied on chartered monopolistic companies as their agents of expansion; all used their colonies as pawns in this economic contest, and the contest was all the more acute that they had few natural monopolies or marked advantages one over the other, and competed, therefore, at almost every point.

SPAIN.—It is natural for us to think of Spain and Holland as minor powers, both economically and politically, but this view would have been short-sighted in 1788. Spain was still an important colonial power; her empire was the largest in sheer size, although many of its huge resources had been squandered; and under Charles III (1759–88) two reforming ministers, Campomanes and Florida Blanca, did a great deal both for her internal restoration (irrigation, communications, agricultural improvements, development of manufactures, as will be seen later) and for her foreign commerce; prohibitions on trade between colonies was removed, taxation was lightened, and in the last ten years of the reign the volume of commerce and the amounts received in customs duties had increased tenfold. It is true that this more liberal policy came too late: the colonies were going to use their new prosperity in breaking away, and home industries had decayed too far to be saved; but in 1788 Spain still counted as a potentially great power, which only inner weaknesses could really ruin.

HOLLAND.—The position of Holland was, of course, somewhat different, since her actual population was small and her resources were limited. But she was still an important colonial power, possessing settlements in the East Indies and in South Africa, and her mercantile marine still held its own (as late as 1690 it had been double that of England). The one department of Dutch commerce which did actually decay was the Dutch East India Company. Founded in 1605, it had paid an average dividend of 22 per cent. right through the seventeenth century; but its lack of progressive policy and the corruption of its administrators were gradually to drive it to bankruptcy in 1789. For all the rest, there was no actual decline in Dutch power; it was simply

outdistanced by England ; and, for their size, the Netherlands remained an economic force of great importance, with a harbour of the first rank in Rotterdam, a banking centre in Amsterdam only second to London, and a considerable colonial empire, even after the loss to England of the Cape of Good Hope Settlement in 1815.

FRANCE.—By 1788 it was clear that France had allowed herself to be outstripped by England in the economic and colonial race ; but when the great struggle began in 1688, France seemed to have all the starting advantages : a greater area, a much greater variety of natural resources, a larger population ; and there is little doubt that if she had made colonial and commercial supremacy her chief aim she would have won. Holding both Canada and Louisiana, she dominated the English American settlements to north and south ; she had a big start in India ; hers was the pick of the West Indian islands. But one condition was essential to success of this kind, namely, concentration on the one aim, subordinating thereto all other aims of national policy. It meant making economies so as to have money available for the building up of a strong navy, abstaining from expensive continental wars, and therefore abandoning the policy of the so-called 'natural frontiers,'¹ which her kings had been following for centuries ; it meant abolishing vexatious regulations of internal trade, giving the commercial classes a new influence in the state, supplying the colonies with a steady stream of competent emigrants. But this meant, at every point, a revolution in French national policy and character : Frenchmen would not willingly emigrate, and received little encouragement to do so ; the population of Canada, in spite of a very high birth-rate, only increased from 20,590 in 1716 to 60,000 in 1763 ; continental war policies could not be given up : money must be squandered on palaces

¹ The following is the estimated cost to France of her great wars between 1680 and 1788 :

War of the League of Augsburg	£32,000,000
„ „ Spanish Succession	£50,000,000
Spanish War, 1738	£4,000,000
War of the Austrian Succession	£43,000,000
Seven Years' War	£82,000,000
American Independence War	£97,000,000

making a total of £308,000,000. The Revolutionary and Napoleonic wars were to cost nearly three times as much. The cost to England of the Great War of 1914-18 averaged £6,000,000 a day, making an approximate total of £9,000,000,000.

As regards internal extravagance it may be noted that in 1786 the royal military retinue numbered 9000, the civil retinue 4000, at an annual cost of £2,000,000 yearly. There were at Versailles in that year 1850 horses, 217 vehicles, 1458 coachmen and stablemen, 150 pages, 128 musicians, 48 physicians, 383 table officials, 198 personal attendants.

and pensions ; the mercantile marine was never big enough to carry anything like the bulk of French foreign and colonial trade ; the advice of merchants was ignored ; the East India Company, which had, by 1720, amalgamated into itself the other trading companies, was badly managed and inadequately supported by the government ; insufficient help was given in India to Duplex, La Bourdonnais, and Lally-Tollendal, in what might have been a successful struggle against England. The importance of Canada was ignored and that province, with its almost unlimited possibilities, was never properly defended. ' There is no kind of wealth to be expected from all countries in the new world, beyond 40° latitude,' Sully had said in 1600 ; and Voltaire dismissed the loss of that colony in 1763 with a contemptuous reference to ' a few frozen acres of land.'

But although beaten in the struggle with England, France remained a powerful economic rival right up to the Revolution. Between 1714—the end of the disastrous Spanish Succession War—and 1783—the end of the successful American Independence War—French foreign trade had risen from £9,000,000 to £46,000,000, with a tenfold increase in trade with America. Her West Indian trade alone amounted to £11,000,000 in 1788, with imports of sugar, indigo, coffee, cotton, and exports of food-stuffs and manufactured articles. Though beaten by England in the manufacture and sale of most textiles, she remained the world provider of silks and wines, a great exporter of hardware, china, porcelain, glass, and of food-stuffs of all kinds.

CAUSES OF ENGLAND'S SUPREMACY.—Having, as it were, disposed of her possible rivals, we now come to a brief survey of England's supremacy in world trade. The causes of this victory were simply the exact reversal of those which led to the defeat and eclipse of France : economic supremacy was allowed to control policy ; the Parliamentary system of government permitted the adequate representation of commercial interests ; wars were fought for markets ; the colonies were peopled with sturdy emigrants ; natural resources were used wisely. This does not mean that no mistakes were made ; a foolish policy cost England her North American colonies. But the main goal was kept in view.

THE MERCHANT COMPANIES.—The beginnings of English economic power are to be found, as we said in the last chapter, in the success of the Merchant Adventurers, and in the overthrow of Spanish maritime supremacy at the end of the sixteenth century. Then came the building up of settlements along the North American coast, first by chartered companies (the London

Company, which founded Virginia; the Plymouth Company, which colonised New England, selling part of its land to the Pilgrim Fathers in 1626), then by grants to individuals (Maryland 1632, Pennsylvania 1681). Meanwhile a number of West Indian islands had been captured, notably Jamaica in 1655. The climate of these islands making it difficult for white men to work, slaves began to be imported from West Africa, and proved so successful a solution of the labour problem that they were introduced into the southern American colonies, and into those of other nations. 'France needs her colonies to support her trade, and therefore needs slaves to develop agriculture in that part of the world, until some other means has been found of supplying that want,' said the Bordeaux Chamber of Commerce in 1789, on the very eve of the abolition of slavery in all French possessions. This supplying of slaves, of which England had the practical monopoly, proved an extremely lucrative business in proportion to the capital needed; the average number conveyed seems to have been some 40,000 to nearly 100,000 a year! Between 1783 and 1795, 41,700 were conveyed from Africa to America in Liverpool ships alone.

THE EAST INDIA COMPANY.—Meanwhile the Levant Company had begun, about 1580, to explore the possibilities of a new overland route to India, and had rapidly taken from the French, then engaged in civil wars, the monopoly of trade with Turkey which they had enjoyed since 1520. When, in 1670, Colbert founded the French Levant Company, the French share of trade with the Near East was but 3 million out of 20 million francs. In the main, the French undertaking expanded, at first, more rapidly than the English, largely owing to the growing importance of the English East India Company. Founded in 1600, this company developed rapidly after the Restoration, and found itself in opposition to the Levant Company; the latter, much of whose trade was the exportation of woollen cloth, was afraid of the competition of Indian cottons, and complained that the East India Company would 'in the end be the destruction of the manufacturing trade, because the people of India are such slaves as to work for a penny a day, whereas ours will not work under a shilling; and they have all materials also reasonable and are thereby enabled to make their goods so cheap as it will be impossible to contend with them.'

Then came the rapid rise of English settlements in India, and the enormous expansion of the East India Company's traffic. By 1700 it was paying 380 per cent. dividend. It was attacked by all those who, for some reason or another, were jealous of its

monopoly of Indian trade, and of the huge profits accruing. It, answer was that trade could only be carried on securely by huge gifts to princes and governors, by maintaining armed settlements on land and armed ships at sea. The woollen interests continued their campaign against Indian cottons, and for some years actually succeeded in obtaining the prohibition of cotton imports except for re-export. But French competition and wars showed that the company was indeed an outpost of British power, and by 1763 it had become a State within a State.¹

The details of this foreign trade will be studied when we deal with industry. But the main points may be noted here. Woollen material was, of course, the main export, destined to remain so until cotton caught it up in the years immediately following our point of vantage (1802 is the first year in which this happened). After woollens came light metal goods, hardware, toys, cutlery, in which Birmingham and Sheffield predominated. Main imports were Indian cottons and silks, colonial food produce (tea, coffee, sugar, molasses, rum), timber and other material for shipbuilding.

The expansion of trade is clearly illustrated by the development of the port of Liverpool. In 1633 it was still so unimportant that it was assessed for ship-money at £15, while Chester paid £100 and Bristol £2000. In 1709 the basin was deepened and the docks begun; in that year Defoe called it one of the wonders of Britain. The total tonnage of ships using the harbour was 27,000 in 1710, 65,000 in 1750, 140,000 in 1770, leaving Bristol behind. Meanwhile the population had risen from 5000 in 1700 to 34,000 in 1773. And yet the Lancashire factory system had scarcely begun and the cotton trade was still of quite secondary importance; so that the growth of Liverpool is a striking example of the general economic development of England.

§ 2. PRINCIPLES AND METHODS OF COMMERCIAL POLICY

MERCANTILISM.—The principles on which international trade was carried on were still, in the main, what they were two hundred years earlier. Europe remained mercantilist, and the ideal of mercantilism dominated the economic policies of all countries. ‘Manufacture,’ said Colbert, perhaps the most consistently mercantilist statesman of any time, ‘will produce returns in money, which is the single aim of commerce, and the only means of increasing the greatness and power of the State.’ The closely related economic and political aspects of the question could

¹ There is a good sketch of this subject in Mowat's *England in the Eighteenth Century*.

scarcely be better expressed. Trade as much as you like, but remember always : first, that the total amount of world trade is limited, and what you lose will be gained by somebody else ; secondly, that your trade must finally show a favourable balance of exports over imports, not omitting, of course, such ' invisible exports ' as profits from shipping and foreign investments ; thirdly, that money is, in the last resort, the most satisfactory form of wealth ; lastly, that power is the ultimate object of the State, and therefore the real justification of commerce.

Economic policy will, therefore, still be directed by each state in a competitive spirit, with weapons such as (Navigation Acts, prohibitive tariffs on imports competing with home manufactures, free entry of necessary raw materials, bounties on exports of superfluous raw material or manufactures, restrictions on exports of goods more needed at home. The only differences between the mercantilism of the eighteenth and that of the sixteenth century lay in that the growing complexities of trade were making the mercantilist policy more complicated, and therefore less effective ; its great days were over. Conflicting interests were appearing within the country, as between the importers of Indian woollen and cotton goods and the home manufacturers of the same goods, and mercantilism was becoming, as Professor Knight says, no longer ' the simple formula about treasure and the balance of trade, but an extremely complicated policy for dealing practically both with foreign competition and rival economic groups at home.'

We may now turn to some of the actual applications of mercantilist policy.

NAVIGATION ACTS.—We saw in the previous chapter the timid and, on the whole, unsuccessful attempts made by various countries in the fifteenth and sixteenth centuries to restrict the trade to and from their shores to their own ships : unsuccessful, because no country of that time had enough ships to be able to enforce such a monopoly. A powerful mercantile marine was essential to success, and by the seventeenth century three countries, and three only, could venture upon such a policy : Holland, France and England.

The foundations of English naval policy were laid in the Navigation Act of 1660, an amplification of the more famous but really less significant Act of 1651. The 1660 Act, which has been described as the great charter of English shipping, laid it down that goods from Asia, Africa or America must arrive in England in English ships or in ships with mainly English crews, that goods from Europe must come in English vessels or in those of the country of origin, that certain colonial products or ' enumer-

ated articles' could only be exported to other colonies or to the mother country, that no foreign ship could engage in the English coasting trade, and, finally, that goods imported in foreign ships must pay a special Aliens Duty.

The success of the Navigation Acts has been exaggerated. 'It had the most injurious effect on our commerce,' wrote Roger Coke in 1671. They did not kill the Dutch carrying trade: as late as 1776, Adam Smith admitted that this was still greater than that of any other country except England. The import of timber from Norway, then under Danish control, remained in Danish hands because Danish ships were so much cheaper to build that, even with the Aliens Duty, Danish freight charges could always undercut English. One result of the Acts was to raise the cost of shipbuilding, owing to the diminution of competition in the colonial traffic. Another was to raise the cost of imports. It led to stringent reprisals from Sweden, Spain, Holland, and France. 'It was a foolish game,' says Mr. Fayle, 'but while everybody played it, those prospered most who could play it best,' and there is no doubt that in the long run the superior resources of England told. The aim of the Acts was to make British shipping very powerful, and in that sense it succeeded: the clearances of British shipping from English ports, which amounted to 93,000 tons in 1663, rose to 274,000 tons in 1700, and to 789,000 tons in 1774, representing a rise from 65 to 92 per cent. in their proportion to total world shipping. The first breach in the Navigation Acts was their relaxation in favour of the United States in 1796.

TARIFFS.—Turning now to tariffs and bounties, we find, as we said a little earlier, what a very complicated matter mercantilism was in practice. Mr. Hobson distinguishes four categories of imports and four of exports. The imports would be (1) those totally forbidden by legislation or prohibitive taxation; (2) those admitted but taxed; (3) those allowed free; (4) those encouraged by bounties. The exports would be similarly classified into prohibited, discouraged by duties, free, encouraged by bounties.

England, for instance, even after Walpole had removed over one hundred prohibitions, still prohibited the export of sheep, wool, raw hides, tanned leather, woollen yarn, textile implements; she levied an export duty on coal, and gave a bounty on the export of corn, sugar, ribbons, silks, gunpowder and fish. As to imports, she prohibited practically all manufactured articles which could be produced in England, particularly cloths of all kinds. France similarly allowed the importation of raw materials, fuel and food-stuffs; she exported wines, alcohols, and manufactured articles. The placing of articles into the eight class-

mentioned above would be determined both by their relation to home produce and by their country of origin. Rum from British colonies would be welcomed, from French colonies prohibited; goods from certain countries whose trade was small might be admitted, while the same goods from one of England's powerful competitors would be excluded.

'We suffer the goods and merchandises of Holland, Germany, Portugal and Italy to be imported and consumed among us; and it is well we do so, for we export a much greater value of our own to those countries than we take from them. So that the consumption of those nations pays much greater sums to the rents of our lands and the labour of our people than ours does to theirs. But we keep out as much as possible the goods and merchandises of France, because our consumption of theirs would very much hinder the consumption of our own, and abate a great part of forty-two millions which it now pays to the rents of our lands and the labour of our people.'¹

Actually, this economic war between England and France was brought to an end by a treaty of commerce signed in March 1787. 'There are no such things,' wrote Vergennes, the French Foreign Minister, 'as natural incompatibilities between nations. Prosperity cannot be exclusive, or it dwindles away. One cannot get rich by intercourse with poor nations.' By the treaty, which, according to Pitt, was advantageous to France but even more so to us, French wines were put on an equal footing with those of Portugal; linens, cambrics and cottons, hardware, glass and china were to pay the same import duty in both countries. Silks, however, were excluded. This treaty was short-lived, since war killed it in 1792, but it is an interesting illustration of the growth of new and more liberal conceptions of trade.

SMUGGLING.—This elaborate system of tariffs and prohibitions had the inevitable result of causing an immense amount of smuggling. The profits from illicit trade in articles of constant use, made unnecessarily expensive by restrictions, were so high that the game was well worth the candle. 'Smuggling and roguing is the reigning commerce of all this part of the English coast, from the Mouth of the Thames to the Land's End of Cornwall,' wrote Defoe in 1725. Smuggling was both outwards and inwards: wool was taken abroad in spite of export prohibitions, and cargoes of silks, wines, brandies and laces bought with the profits and brought in, in spite of customs duties or prohibitions. As far back as the sixteenth century the men of Faversham were

¹ Smith, *Memoirs of Wood*, 1713 (Hobson, *Evolution of Modern Capitalism*, p. 36).

said to have grown 'monstrous rich' by that 'wicked trade of wool exporting, the wool being 'pressed into barrels with screws and then the barrels washed over with brine water' so as to make them pass for beef or herrings. James II issued a proclamation denouncing 'evilly-disposed' people who had assumed 'by open force and violence, with armed companies of men, the liberty to convey and transport wool into parts beyond the seas, and also to rescue the same out of the hands and possession of our officers of the custom, and in riotous and tumultuous manner have beaten and wounded our officers and those acting in their aid.' France smuggled in English cloths and printed cottons; it is said that the whole of the trousseau of the Empress Marie-Louise was illicitly imported in 1810. Nothing effective was ever done to stop the traffic; smuggling was profitable in direct proportion to the height of the duty, and only free trade could end it.

COLONIAL SYSTEMS.—England's policy towards her colonies was in essentials the same as that of all other countries: 'Colonies must never forget what they owe the mother-country. The gratitude they owe her obliges them to remain under her close dependency and to subordinate their interests to hers. They must therefore provide the metropolis with a market for its products, give employment to as many as possible of her manufacturers, artisans and sailors, provide her with all she needs,' said Postlethwayt in 1747, in his 'Britain's Commercial Interest explained.' In no way must colonies compete with the mother country. And so, in the Navigation Acts, some articles were enumerated which colonies could only sell to, or buy from, the mother country, or which they might not manufacture, so as not to disturb the domestic industry.¹

The old colonial system has been severely criticised, as placing unreasonable restrictions on the economic expansion of the colonies. Doubtless it was a grievance, as Chatham once said, to be unable to manufacture a nail for a horseshoe, iron being on the enumerated list. But it must be remembered that the system gave the colonies an assured market for their really essential produce, and protected them from foreign competition and from foreign attack; much English money had been invested in them, and their economic expansion was encouraged in all departments save the few that directly competed with British interests. The system was, in fact, largely advantageous to young, struggling colonies; it ceased to be so, however, to

¹ The chief enumerated articles were rum, sugar, molasses, ginger, rice, naval stores, copper, skins, tobacco, cotton, indigo, dye-woods.

colonies able to look after their interests, and needing markets for their expanding trade. The population of the North American settlements, which numbered some 300,000 in 1700, was over a million and a half in 1760; the volume of their commerce had increased tenfold, and only about half was with the mother country. The time had obviously come for a readjustment of the colonial system—whereas the British Government, far from liberalising it, only stiffened it by trying to prevent all direct trade from the colonies to countries other than the metropolis. It was probably this, even more than the Stamp Act, which precipitated the revolt of America.

The same opposition to regulation from the mother country could be seen among Spanish and French settlers. The perpetual protests of the former were ultimately to lead to a revolt not unlike that of the Americans; the French colonists were too few for successful rebellion, but the loss of Canada and Louisiana induced the French authorities to make some concessions. In 1763 an edict allowed the English to import cod into the French West Indies; in 1784, foreign ships were allowed to land goods in a number of French colonies, to the great anger of French shipowners.

THE BREAKDOWN OF MERCANTILISM.—A number of breaches were thus being made in the actual practice of mercantilism. The theory still held the field, it is true, but Adam Smith's 'Wealth of Nations' and the writings of the French Physiocrats, to which later reference will be made, were undermining its fundamental principles. Mercantilism had fitted in with certain conditions of economic life; it was now out of date, as it no longer stimulated, but on the contrary restricted, a rapidly expanding trade and industry; and its stressing of gold and silver no longer meant anything in a world well supplied with precious metals.

Mercantilism has been judged in a variety of ways. 'It had its principal source not in a deliberate plan of economic progress,' says Unwin, 'but in the fiscal exigencies of a short-sighted, impecunious government.' According to Penty, 'It placed the States at the mercy of vested interests and was a source of political corruption, while it became a fruitful source of wars.' Forrest denounces it: 'the narrowest conceivable policy,' leading 'to artificial stimuli being given to many unprofitable industries, and to commercial wars and customs reprisals to destroy rivals'; and he reiterates the argument already quoted about the folly of having allowed national state frontiers to break up into incongruous little units a rapidly expanding commerce which

needed the whole world as its market. These and other writers of the same school point out that economic self-sufficiency was an absolutely unrealisable aim, since no nation can really meet all its needs; that it introduced the totally unnecessary and destructive idea of competition among states, and that it even failed in its primary aims, since the most mercantilist of all countries, Spain, was always short of currency. To this school of thought, Mercantilism, Bullionism, Protectionism—call it what you like—blocked the path to real progress and helped to build up an entirely wrong system of international relations.

Another school of thought, to whom the national state marks a distinct advance on the mediaeval lack of cohesion, argues that the control of commerce was an essential factor in the building up of independent states; that there can be no true national sovereignty without the right to erect such tariff barriers as may stimulate national production along those lines most necessary to national welfare. If that welfare mainly depends on cheap imports of food and raw materials, by all means lower your barriers; if self-sufficiency be your ideal, achieve it, as nearly as circumstances will allow, by prohibitive tariffs and other restrictions; but if real independence and sovereignty is desirable for a state, then your (political and economic boundaries must coincide) your state must also be a market, and you must retain in your hands the unlimited right of using at your own discretion such weapons of economic warfare as tariffs on imports, bounties on exports, and navigation Acts, which are as essential to national security as armies, navies and munitions. The student's judgment on this complicated issue will be determined by his own conceptions of national policy; we may leave the discussion with the following judgment of M. Morini-Comby: 'Mercantilism is a doctrine of economic policy, rather than of political economy. (It is really a state of mind, which appears in the fifteenth century, becomes definite in the sixteenth, dominates in the seventeenth, and is combated and discarded in the eighteenth, at least by professing economists) But mercantilist theories and practices were so closely bound up with the organisation and the needs of states, that the most warranted and obvious criticisms could not tear out the deep roots they had left in the minds of statesmen. The administrative traditions of Western European states have taken shape in mercantilist times.'

§ 3. INTERNAL TRADE

DEVELOPMENT OF THE HOME MARKET.—Internal trade expanded no less than foreign trade. The demands of the growing

population for more goods stimulated not only the importing of commodities from abroad, but also the producing and exchanging of home-grown food and home-manufactured articles of all sorts. This expansion of domestic trade finally determined the distinction between wholesale and retail trade. Savary, a seventeenth-century authority on commerce, defines a wholesaler as 'one who deals in a store, not in an open shop, who sells his goods by sacks, boxes or entire pieces, and has no trade sign outside his house.' He distinguishes three kinds of wholesalers: those who deal exclusively with goods made in one town to be sold to the retailers of the same town or in other towns of France; those who deal directly with other European countries; those who deal in extra-European trade through chartered companies. 'Wholesale trade,' he adds, 'has a certain aristocratic quality which retail trade lacks, and is carried out in France by many nobles.'

Internal trade was carried on mainly by itinerant sellers,¹ both merchants and pedlars, who remained an essential part of the system until railways revolutionised communications. A Lancashire merchant of the middle of the eighteenth century is described as 'sending the manufactures of the place into Nottinghamshire, Lincolnshire and Cambridgeshire, and the intervening counties; he principally took in exchange feathers from Lincolnshire and malt from Cambridgeshire and Lincolnshire. All his commodities were conveyed on pack-horses, and he was away from home the greater part of the year, performing his journeys leisurely on horseback. His balances were received by him in guineas and carried with him in his saddlebag. He was exposed to great labour and fatigue, and to constant danger.'¹ These merchants supplied the town shops and the pedlars who dealt with the village trade, village shops being still rare. Fairs, although declining in importance, still played some part in economic exchanges. The great fair of St. Germain in Paris served as a meeting-place of international trade; English, Flemish, Dutch and German merchants had their special booths. Cloth was the main product sold, but goods of all kinds were to be obtained. As years went on, however, the tendency was for articles of inferior quality only to be sold in fairs, which became centres of entertainment rather than of solid business. In England, Stourbridge Fair, held every August just below

¹ Lipson, *The English Woollen Industry*, p. 82. 'It is not too much to say that the fourfold increase in British foreign commerce and the accompanying increase in domestic trade during the century before the Industrial Revolution could not have taken place without the directing and organising work of the classes of middlemen who sprang up in the century' (Moffitt, *England on the Eve of the Industrial Revolution*, p. 71).

Cambridge, was a centre for all English trade. Ropes, hardware and cutlery, textiles of all kinds were bought and sold in large quantities. It may be noted, by the way, that the eighteenth century was the real era of the beginnings of advertising, and this shows how the conception of competition, so alien to the mediæval mind, had definitely entered economic life. Even Defoe, in the early years of the century, thought that the tradesman should quietly wait in his shop for customers to come to him. As late as 1761, a proclamation condemns Paris tradesmen for having announced, by means of handbills, the sale of articles below the usual price.

ENGLISH DOMESTIC TRADE.—While all countries were enjoying some share of this expanding trade, internal conditions undoubtedly gave England a marked advantage over her competitors. Whereas other countries persisted, as we shall see presently, in the maintenance of a mass of restrictions and regulations which hampered commerce at every point, she had been undergoing a transformation which had left her trade completely free to adapt itself to any new situation. Monopolies, for instance, that bugbear of Elizabethan commerce, had practically disappeared with the Civil Wars. Attempts had been made by James I to give Sir William Cockayne a monopoly of dyeing, but clamours arose: his cloths were worse done than those dyed in Holland; Dutch and German dyers retaliated by forbidding the import of English dyed cloths, and the patent was annulled almost as soon as it had been granted. Similarly, a monopoly for soap, granted by James I to the Westminster Soap Company, led to violent conflict with the Company of London Soap-makers, caused a virtual doubling of soap prices and had to be withdrawn. Monopolies were in conflict with growing trade: they had to go.

The same was true of all restrictions on the sale of corn. The numerous ordinances against forestalling were proving ineffective against the growing forces of competition; in 1662 an Act had allowed the buying of corn in order to resell it when it was below a certain price, provided it was not resold in the same market during the next three months; but even that restriction had become a dead letter, and all limiting statutes had been formally repealed in 1772.

FRENCH DOMESTIC TRADE.—In France, on the other hand, domestic trade, like industry, remained checked in a variety of ways. Inspection of weight, size and quality of goods offered for sale had become a merely vexatious form of taxation. The

sale of tobacco and brandy was a State monopoly. The manufacture of silk was a monopoly of the town of Lyons; numerous guilds retained privileges which hampered trade.

More serious than all these were the barriers erected by internal customs tariffs, such as the levying by towns and provincial governments of duties on various kinds of goods, usually essential food-stuffs, both for the purpose of revenue and for the keeping out of 'competition,'¹ and the restrictions on the movement of corn from one province to another. These barriers, which amounted at times to absolute prohibition, might cause a surplus in one province and virtual starvation in another. Every attempt made by reforming ministers to remove those anomalies met with the bitter resistance of merchants, who had not understood that the free movement of corn was ultimately to everybody's advantage, and right up to the Revolution the system remained. Similar barriers, tariffs and regulations crippled the internal trade of Germany and Italy.

COMMUNICATIONS: ROADS.—Expanding trade meant expanding communications. In this respect, improvement rather than startling change is to be noted. Roads were still poor, although their amelioration was being undertaken with some vigour by most governments, who realised the importance of good highways for trade. It has been said that roads were better under Edward III than under George III; this is probably an exaggeration, but all eighteenth-century writers give lurid descriptions of the deplorable condition of all except a few main roads. There were thousands of miles over which travelling by coach was practically impossible, only horses being used, either for riding or for carrying goods. The upkeep of roads within each parish was in theory a duty laid on all inhabitants. In England, this rule only applied to local unmetalled lanes, and even then was not strictly enforced; for the upkeep of main roads, private companies had been established, each charged with the maintenance of a certain stretch of road, and authorised to levy a toll for the use of their section; a turnpike marked the change of control, hence the name of turnpike roads. The great drawback was, of course, the large number of stoppages and tolls to be paid; they aroused at first much opposition from the farmers, who objected to paying even for an improved road. Gradually prejudices died down, and the system was extended until it included all the main highways.

In France, forced labour for road-building was imposed on

¹ Duties of that type, or 'octrois,' are still levied, for revenue purposes, by most municipalities in France.



THE TURNPIKE IN HYDE PARK
From *Johnson's Encyclopedia* (London: University Press.)

all those liable to direct taxation (excluding therefore clergy, nobility and inhabitants of corporate towns), for thirty days in the year, usually divided into two portions. In practice, the burden fell almost entirely on the peasant, whose grievance was all the greater that the roads thus built were not the local lanes which he mainly used but main roads often far distant from his farm. This method of road-building was, in fact, wasteful and expensive: 'it costs twice or three times as much in labour and material as if it were paid for in the ordinary way,' said Turgot. In 1788, forced labour for roads still legally existed in most parts of France, although it was in practice commuted for a tax in nearly all provinces.

By such methods roads had improved to some extent within the last fifty years, but communications were still slow, in spite of the introduction of 'flying coaches.' One could get in one day from London to Dover (80 miles) for one guinea by fast coach, but London to Birmingham (120 miles) was still a matter of two days' travel, London to Manchester (180 miles) three, London to Edinburgh (360 miles) seven, Paris to Lille (155 miles) three, to Lyons (320 miles) six days. In fact, it may be said that at the end of the eighteenth century it still took on the average a whole day to cover the distance which is now covered by railway in one hour.¹

Road transport was not only slow, it was very expensive: £5 a ton from London to Birmingham, £13 from London to Leeds. Passenger fares varied, according to the speed of the coach, from about a penny to threepence a mile. Carriage of letters was dear: twopence for the first 25 miles; threepence for 50 miles; fourpence over 80 miles; fivepence for 80 to 150 miles; sixpence over 150 miles (1784 tariff). Postage was so high, in fact, that, although carriage of letters had become a State monopoly in England in 1600, an enormous mass of correspondence was carried illicitly in one way or another. Things were much the same in other countries, if not worse. Considering the growth of trade, it is curious that so little should so far have been done for the exchanging of letters.

CANALS.—The dearness of land transport, and the growing volume of trade caused a marked expansion of travel by water, by river, canal and sea. France had always made an extensive

¹ Note, however, that a considerable improvement in road transport was to be effected within the next twenty-five to thirty years—that is, before the coming of railways. About 1816 it was possible to travel from London to Leeds in 21 hours, to Manchester in 30, with several daily services instead of once or twice a week. The present development of motor-bus travel gives a fair impression of what the organisation of coach travel was like on the eve of the railway age.

use of her network of navigable rivers, and had laid the foundations of the admirable canal system which still plays so great a part in the carriage of heavy, bulky goods. England, too, had a period of canal-building, beginning with the construction, by Brindley, of the Duke of Bridgewater's canal from Worsley to Manchester (1760), and going on to the same engineer's Grand Trunk Canal linking up the Mersey and the Humber. Within a period of some thirty years, a network of canals covered Lancashire; three canals connected that county with Yorkshire; another system centred round Birmingham; London was linked by canal to the north and to the Atlantic. In Scotland, the Forth and Clyde Canal was begun in 1768. Nearly all seaports became connected by canals or navigable rivers with the main area of trade, and the truth was proved of Adam Smith's statement that, 'As by means of (water-carriage a more extensive market is opened to every sort of industry, than what land-carriage alone can afford it, so it is upon the sea-coast and along the banks of navigable rivers that industry of every kind begins to divide and improve itself.)' The railway was ultimately to kill the canal, but, in fact, often follows the line of the old canals, which played a great part in expanding what had been local economic life.

SEA TRAVEL.—Communications by sea did not make great progress either, during this period. Passages were, of course, more frequent, accommodation for travellers improved, but contrary winds still made the length of voyages extremely variable and usually slow. The passage to and from North America would occupy anything from forty to seventy days, London to the Mediterranean over a month, to India anything up to six months. Journeys were dangerous as well as slow: deaths from scurvy and fever could take heavy toll of crews; capture by corsairs or enemy was always a possibility. The total bulk of seaborne traffic, however, naturally increased enormously with the growing trade, the East Indian and West Indian business and the slave trade especially employing large fleets. The essential point about shipping is that supremacy as the world's carrier has definitely passed from the Netherlands to Great Britain. To quote a few figures for the year 1792, the last normal year of peaceful trade before the French wars, some 13,000 ships entered and 14,000 left Great Britain, with an average tonnage of 117. Of these, just over one-half were from abroad, the Baltic, North Sea and Channel trade each claiming an approximately equal share of about 3000 ships, Spain and the West Indies coming next with about 1400. Large profits were being made out of all this, and, as Sir William Petty said a century earlier, 'the labour of

seamen and the freight of ships is always in the nature of an exported commodity, the overplus whereof, above what is imported, brings home money.'

DEVELOPMENT OF BANKING.—This expansion of commerce could not have been carried out without an enormous expansion of credit and banking, and it is indeed significant that the last years of the (seventeenth century had seen the foundation of several important new credit institutions) Actually, the Bank of Amsterdam, the 'mother' of all modern banking, was founded in 1609, and this early start was one of the great advantages enjoyed by the Dutch in the seventeenth century.¹ Hamburg had followed in 1619, and retained some importance as a centre of credit even during the (comparative) eclipse of Germany as a commercial power in the eighteenth century. Then came, in 1694, the foundation of the Bank of England,² and four years later that of the London Stock Exchange; in that latter year an Act of Parliament made internal bills of exchange legally enforceable promises to pay, so that they could be transferred from one person to another in payment of accounts. Cheques were also being used, one of the earliest known being drawn in 1684 on Child's Bank in the Strand. They became so general that in 1770 a room was hired, which became the headquarters of clerks from various banks meeting to exchange cheques drawn on each other, balances being settled in cash. This ultimately became the great Bank Clearing House in 1805.

With those extensions of credit facilities, financial investment was able to develop freely. About 1705 there were some 140 joint-stock companies in England and Scotland, with a total capital of about £50,000,000, much of it tied up in Government loans. Insurance developed rapidly, both on life and against fire, several of the best-known companies of to-day having been founded in the early eighteenth century. Lloyd's, the great marine insurance association, was in full development by 1779, when its standards became virtually binding on all shipping.

THE SOUTH SEA BUBBLES.—This financial expansion took place just before the crisis that centred round the South Sea

¹ It was Dutch capital which rebuilt London after the Great Fire of 1666, that drained the Fen country, and as late as 1774 England was still paying Holland an annual interest of one million sterling on a total debt of some £25,000,000.

² What distinguished the Bank of England from all other institutions was its willingness to issue notes which, instead of being guaranteed by the endorsements of the people through whose hands it had gone, should be unendorsed but payable by the bank in gold. It advanced large sums to the Government, and by 1776 its stability, according to Adam Smith, was equal to that of the British Government.

Bubbles, those great credit schemes which shook to their foundations the financial systems of England and France. The idea was for the South Sea Company (which had been founded in 1711) to take over, in return for a monopoly of South Sea traffic, the whole of the National Debt of about £50,000,000, Government creditors receiving South Sea stock in exchange for their official bonds. The aim of the Company was to pay off the debt within twenty-five years. In itself the scheme was not impossible if all Government fund-holders had received full value before the public had been allowed to buy ordinary shares; but the whole matter was managed both corruptly and inefficiently: prices became inflated, South Sea stock rose from 36 per cent. in May 1720 to 100 in August, falling to 120 in December. Meanwhile, Bank of England shares had fallen from £265 to £132, those of the East India Company from £449 to £145, of the Africa Company from £200 to £45. The cleaning up of the financial mess was the first important piece of work undertaken by Walpole; but, in spite of his ability in making the most of a difficult situation, thousands of people were finally ruined, and English finance received a severe shock. The trustfulness of both Government and general public in taking up these credit schemes was all the more extraordinary in that France had just had a similar experience which should have taught wisdom to investors. The French crash had been even worse; the essential scheme had been much the same—to form a company which would relieve the State of the responsibility of paying interest on debts in exchange for a commercial monopoly. It was all built up on a (theory of creating purchasing power by inflation, which modern times have shown to be not impossible, but needing for success the utmost caution) This caution being lacking, the scheme could only bring about the disasters which we all know to accompany uncontrolled inflation. There was a phenomenal rise in prices: black cloth, worth 18 francs in May 1719, cost 100 to 120 francs in 1720; hay rose from 20 to 60, and even 100 francs. Silk stockings doubled, cabs quadrupled their fares, land rose three and four times in value. There remained in the French mind a distrust of paper money, which helped to keep French banking, like all French finance, undeveloped and unprogressive for a long time. It was largely monopolised by foreigners, especially Swiss, among whom Necker played a great political rôle. The perpetual deficits of the French budgets prevented any real financial expansion; the French foreign exchange was constantly below par (in the reign of Louis XIV it had been usually about 75 per cent.), which helped export trade but made difficult the raising of loans, and everybody knows that bankruptcy was the determining

factor in the calling of the States-General, which began the Revolution.

RISE OF A COMMERCIAL ARISTOCRACY.—This great commercial and financial expansion created all over western Europe, and especially in England, France and Holland, a new commercial aristocracy which soon successfully claimed admission into the highest social circles. As far back as 1664, even the exclusive Louis XIV had allowed the French nobility to take up wholesale trading without loss of rank; by an edict of 1701, merchants who had been engaged on Royal business could, after twenty years, take out letters of nobility without giving up their trade. Shortly after, manufacture was similarly granted social prestige. A curious pamphlet, written in 1756 by a priest, the Abbé Coyer, sheds an interesting light on the economic position of the aristocracy. The French nobility, he says, is burdened with debts; it can no longer keep up its proper state, and is consequently restless and discontented. Only by complete freedom to take up trade will it recover economic and, therefore, psychological stability. But the opposition of the old corporations and the prejudices of the nobles prevailed against the pressure of economic necessity, and, while many merchants ascended into the nobility, few nobles definitely adopted a commercial career. They preferred regilding their escutcheon by marrying the daughters of bourgeois millionaires.

In England, the barriers between the aristocracy of wealth and that of birth were never very formidable. Already in 1690 Sir William Temple could remember 'the first noble families who married into the City for downright money, and thereby introduced by degrees this public grievance which has since ruined so many estates by the necessity of giving good portions to daughters.' Some thirty years later, Defoe remarked that 'trade was so far from being inconsistent with a gentleman that in England trade makes a gentleman, for after a generation or two the tradesman's children come to be as good gentlemen, statesmen, parliament men, judges, bishops and noblemen as those of the highest birth and most ancient families'; and a little later still, Dr. Johnson called an English merchant 'a new species of gentleman.' Many of these merchant princes, as we shall see in another chapter, were buying up estates in order to qualify for admission to the country gentry. 'I dare oblige myself,' wrote Defoe, 'to name 500 great estates, within one hundred miles of London, which within eighty years past were the possessions of the ancient English gentry, which are now bought up and in the possession of citizens and tradesmen, purchased fairly by money raised in trade.'

II. THE WORLD OF INDUSTRY

§ 1. ENGLISH INDUSTRIAL EXPANSION

The enormous development of commerce in the eighteenth century could not have gone on without a great expansion of industry, long before even the events commonly known as the Industrial Revolution. Trade, after all, consists in the exchanging of articles, and those exported from Europe were almost entirely manufactured articles. Further, there was, as we saw, an expanding demand for goods of all kinds from a lower and middle class whose standards of life were steadily rising.

The exceptional character of England's industrial expansion makes it necessary to treat of English conditions separately from those of other countries. This does not mean that (her industrial supremacy was a foregone conclusion). As we have seen, until the beginning of the century it might be said that France was more developed industrially and seemed further ahead in inventive genius and technical skill. But England had a big lead in that industry which had hitherto formed the basis of industrial life and ultimately tended to determine the bases of industrial organisation, the textile industry, and especially the making of woollen cloth.

PROTECTION OF THE WOOLLEN INDUSTRY.—‘*O Wool*, goddess of merchants, the beautiful, the white, the delightful one,’ exclaims Gower as far back as the late fourteenth century. ‘The love of you stings and bites so that the hearts of these who make merchandise of you are not able to disengage themselves from you.’ ‘English cloth is one of the pillars of the State,’ says Camden in 1607; ‘it is the wealthiest and richest commodity of the Kingdom,’ according to Coke; ‘the great wheel of the realm,’ according to Bacon a little later; and 150 years after, Arthur Young wrote that ‘wool had been so long supposed to be the sacred staple and foundation of all our wealth that it was somewhat dangerous to hazard an opinion not consonant to its single advancement.’

The policy of protecting the cloth industry, already so keen in the sixteenth century, had become intensified in the last two hundred years. The export of wool was still forbidden, and was to remain so till 1825, in spite of the frequent demands for free trade in wool put forward by the wool-growers, who thought they would obtain better prices in an open market. The merchants declared that the free export of wool would ‘change the current

of their wealth, destroy their industry and enterprise, deprive the poor of their employment, add to the poor-rates and diminish rents from land'; to which Adam Smith replied that the laws 'which the clamour of our merchants and manufacturers had extorted from the legislature for the support of their own absurd and oppressive monopolies may be said, like the laws of Draco, to be all written in blood.'

The cloth industry was also protected by a whole number of more petty but scarcely less vexatious regulations. Since 1665 it had become illegal to be buried in anything else than woollen cloth.

Since the living would not bear it,
They should, when dead, be forced to wear it,

said a contemporary poem. A Resolution of the House of Commons in 1677 enjoined 'all persons whatsoever to wear no garments, stocking or other sort of apparel but what is made of sheep's wool only from the Feast of All Saints to the Feast of the Annunciation of our Lady' (November 1 to March 25). In 1697 the Commons ordered that 'all magistrates, judges, students of the Universities, and all professors of the Common and Civil Law do wear gowns made of the woollen manufacture'—so that, as a pamphleteer wrote, 'both living and dead must be wrapt in woollen.'

The terror of the woollen manufacturers was the competition from Indian cottons and silks and from Irish linen. One of their champions expressed his sad certainty that 'we shall have cotton cloth, and knaves to make it a fashion, and fools enough to wear it.' In 1700 the Government had actually yielded to this outcry and prohibited the import of Indian silks, but the only result was a great expansion of English cotton manufactures: 'No sooner were the East India chintzes and printed calicoes prohibited from abroad, than some of Britain's unnatural children, whom we call drapers, set all their arts to work to evade the law of prohibition, to employ people to mimick the more ingenious Indians,' and women wearing cotton dresses were attacked in the open street and had their clothes torn off their backs.¹ So great was the clamour that in 1720 Parliament had to prohibit the use of printed painted calicoes, 'since the wearing and using does manifestly tend to the great detriment of the woollen and silk manufacture of this Kingdom.' This extreme protection, in fact, tended to produce stagnation, if not in bulk (for the trade could

¹ A lady was fined £200 at the Guildhall Court in London for having in her possession a handkerchief of French cambric (Lipson, *The English Woollen Industry*, p. 97).

not help growing) at least in inventiveness in fabrics and designs. Actually, the cloth trade expanded between 1700 and 1780 from £2,000,000 to £4,500,000 in the value of raw wool produced, from £8,000,000 to £13,000,000 in the value of manufactured cloth.

RISE OF THE COTTON INDUSTRY.—But the cotton, against which the woollen manufacturers were struggling so desperately, could not be indefinitely kept back. Originally introduced in 1595 by religious refugees from Antwerp settled in Manchester, cotton remained for a hundred years a small-scale manufacture of a cloth in which the warp was linen and the weft cotton. As the latter became commoner, it became the sole material used. Competition from India, instead of destroying the home industry, stimulated it to improve its methods until competition was practically driven out; but cotton remained secondary to wool, so much so that its comparative unimportance saved it from a protection that might have hopelessly fettered it in its development.

It is true that in 1774 the export of cotton goods only amounted to one-twentieth of the woollen exports, that the amount of raw cotton imported only rose from 2 million lb. in 1700 to 5 million lb. in 1781. But in 1789 this figure had jumped up to 32½ million lb., falling to 28 million in 1791 but rising to 56 million in 1801. The enormous expansion of the cotton industry belongs, in fact, to our next chapter, but it must be remembered that all the factors which helped it were already at work in this period: (the mechanical inventions which revolutionised cotton spinning had been made and were being used for woollens; the newly emancipated States of America had been producing cotton for some time on their huge plantations run with slave labour; Liverpool had seen its traffic grow considerably; the population of Manchester had risen from 6000 in 1700 to 30,000 in 1786.●

ORGANISATION OF THE CLOTH TRADE.—Wool, however, was still the dominating industry, and we must see briefly how it was organised. It predominated in three main areas, although actually widely diffused more or less all over the country. Colchester and Norwich were the two centres of the trade in the Eastern Counties; from Salisbury to Somerset and Devon and through Dorset into Hampshire formed the largest area; and Yorkshire, especially the West Riding, formed a third. Of these, the western area was easily the most important: Exeter had the biggest cloth market after London; Devonshire was, according to Defoe, 'so full of great towns and those towns so

universally employed in trade and manufactures that not only could it not be equalled in England, but perhaps not in Europe.' But after the middle of the century Yorkshire was forging rapidly ahead, with a population which rose from 240,000 in 1700 to 580,000 a hundred years later—mostly in the country, since Leeds had only about 15,000 inhabitants, Halifax about 6000, Huddersfield and Bradford less than 5000 each. Halifax parish, however, which comprised a number of villages and formed a real economic area, was with its 50,000 people the largest parish in England; the country formed, says Defoe, 'one continuous village, hardly a house standing out at a speaking distance. . . . Look which way we would, high to the tops and low to the bottoms, it was all the same innumerable houses.'

Each of those areas could be said to represent a slightly different stage of industrial organisation. The eastern area, the least important in the volume of its trade, was the most backward. The gild organisation, elsewhere outgrown, still predominated, largely because the industry had remained closely congregated in the cities. The western area was the land of domestic and largely rural industry; the 'towns' of Defoe's Devonshire were really only big villages; but each served as a centre for a widely distributed trade, and gave employment to a much larger number of people than its actual inhabitants. The usual system was for a 'clothier' to buy a large amount of wool, and to parcel it out among as many as a thousand people for the various stages of its manufacture into cloth. The people employed were thus wage-earners, often very badly paid, looking upon the master as 'their common enemy with whom no faith is to be kept.' They had no hope of ever being anything else but workers, and 'therefore their only happiness was to get drunk and make life pass away with as little thought as possible,' said the Bishop of Gloucester in 1757. Spinners' pay was very low, but many spinners were also engaged in agriculture, the spinning only being an extra to the family income. Hours were very long—fourteen to sixteen a day; much time was spent in fetching the wool and carrying back the cloth, and although the system might be termed 'domestic,' the basis of it was a relationship of master to employee which is essentially the same as in the later factory system.

In Yorkshire, two systems were at work side by side, a modified domestic system and an embryonic factory system. In the domestic system which is that of Yorkshire, manufacture was conducted by a multitude of master manufacturers, generally possessing a very small capital. They bought the wool of the dealer, and in their own homes, assisted by their wives and

children and from two or three to six or seven journeymen, they dyed it and through all its different stages worked it up into undressed cloth. As long as the demand for cloth was constant, at a price leaving a fair profit, the system guaranteed regular work under fairly independent conditions. These workers might be poor, but they were not wage-earners, and the journeymen they employed needed only to amass a little capital to be able to set up on their own. But in some parts of Yorkshire and of its neighbouring county of Lancashire another form of organisation could be found; anyone now taking a country walk in those districts can at any time stumble on ruins by the banks of some stream, often now dried up. These are what remains of the old textile watermills, built when the new spinning machinery was introduced, which was both too large to be fitted into private houses and too expensive to be owned by a small 'domestic' manufacturer.

MACHINERY AND TEXTILES.—The invention of machinery did not, it need hardly be said, burst into an unsuspecting world as a bolt from the blue. It was the direct result of that irresistible force we have already noticed, the ever-increasing demand of an ever-expanding market. This made manufacturers eager for any method which would increase speed of output without increasing the cost per yard. There was capital available for the necessary costs of experiments, and a practical certainty that no overproduction need be feared for many a long year. Mechanical inventions were the result of that eager desire, leading to feverish investigations; in their final form they were the outcome of many failures and partly successful attempts.

Machines were, of course, not invented in the eighteenth century. Some previous inventions had failed before the opposition of workers and authorities; Tudor sovereigns had always been opposed to machinery as injurious to handicraftsmen and to the quality of goods produced, and the invention of the fulling mill in 1482, of the gig mill in 1552, and of the tucking mill in 1555 was followed by the prompt discarding of the new tools. The early Stuarts maintained the same attitude; but with the defeat of Charles I nothing stood in the way any longer of mechanical industry. Lee's knitting frame had been successfully applied to stockings in 1589; when tried with worsted it was a failure, but when later adapted to silk it was a great success; after 1650 it was in frequent use, giving a considerable advantage to English silk manufacturers, until the machines began to be exported abroad; when in 1696 this was prohibited, it was, of course, too late.

The inventions which were to revolutionise the textile industry fall into two clearly marked classes. The first were those which, while speeding up and simplifying labour, were still ultimately operated by hand and could be adapted to cottage industry and to the domestic system. / Kay's flying shuttle (1733),² Wyatt's roller-spinners (1739),³ Paul's carding machine (1748),⁴ Hargreaves's spinning jenny (1764),⁵ Arkwright's inventions for carding, drawing and spinning (1776) all belong to the earlier category. Thousands of jennies were crowded into cottages, all available space being put to use to feed the inexhaustible demand for cloth of all kinds. 'The old loom shops being insufficient, every lumber room, every old barn, cart-houses and out-buildings of every description were repaired, windows broken through old blank walls, and all fitted for loom shops. This source of making rooms being exhausted, new weavers' cottages rose up in every direction,' says Mantoux. It was, as he remarks, at least in appearance the golden age of domestic industry.

Then came, after 1775, the further inventions of Arkwright, Crompton and Cartwright, which required some kind of outside power; this was readily to be found in the numerous streams which abounded in the country, but more in the hilly North than in the West. These water-mills, which were destined to break the domestic system, were naturally built near some village where textile work was already being carried on on a large scale, and did not cause any large displacement of population. Far from bringing about a concentration into big towns, these early factories intensified the dissemination of the industry all along the countryside, within those areas where water power was available.

It is, of course, essential to remember that, at the time we have reached, power machines and factories were still of secondary importance in the textile industries, and that the great expansion of these industries in the eighteenth century was based on cottage hand work. In 1788 there were, according to a contemporary observer, some hundred cotton-spinning mills in England, of which forty were in Lancashire, less than twenty in Scotland. The average number of employees would be 100 to 150, giving a total of some 10,000 to 15,000 for England, 2000 to 3000 for Scotland. A great proportion of cotton-making processes were still carried on in cottages, only part being done in the factory. Woollen mills were fewer still.

THE WORKERS AND MACHINERY.—The comparatively slow development of textile machinery was due to two reasons—the

amount of capital needed, and the distrust and opposition of the workers. A factory represented some thousands of pounds, and the co-operation of capital into joint-stock companies, so frequent for trade, did not appeal to investors when it came to manufacture. To Adam Smith, and most people of his generation, (joint stock undertakings were only possible in banking, insurance, making canals and water supplies for a great city.) A number of industrial companies failed, and most mills remained for a long time the property of a few partners or of an individual or family.

The opposition of workers was natural; they only saw the immediate possibility of unemployment. This fear had, in fact, been successful in checking, as we saw, a number of possible inventions at earlier stages of economic history, and when the use of textile machinery began to spread, trouble arose; the supply of raw wool being limited, even simple machinery, which speeded up work, caused some unemployment, especially among the cottagers to whom weaving was a secondary occupation. The situation was not quite the same in the cotton trade, where the supply of raw material was unlimited and the demand practically inexhaustible; but the workers could not be expected to realise this all at once, and took the same attitude as the woollen workers. 'The sole cause of the great riots,' said the Preston magistrates after serious disturbances in 1779, 'was the new machines employed in the cotton manufacture,' although, they added, 'they had really caused much benefit.' Anti-machinery riots broke out in Leeds in 1780; Arkwright's factory at Chorley was burnt down; in the South-West the opposition of workers and the suspicions of masters were enough to prevent any real attempt being made at introducing machinery. Opposition also came from small merchants, unable by lack of capital to compete with the new enterprises. In 1794 we find them petitioning Parliament, showing the weakening of the old domestic system, which they described in idyllic terms; and, pointing to their forthcoming ruin, they put forward a Bill to forbid merchants from opening workshops (as factories were then termed). This Bill was, of course, never carried, being hopelessly out of date, but it was some years before the small manufacturers gave up the attempt to obtain legal protection against the factory. In fact, as late as 1803, only one-sixteenth of the cloth produced in the West Riding of Yorkshire came from big factories; the rest came from independent master weavers. In the appearance of textile factories, as in many other deep changes in the economic system, it must be remembered that the old is still to be seen for a long time working side by side with the new; there is

never a sudden complete replacement of the one by the other : overlapping is the rule.

IRON AND METALLURGY.—The expansion of textile manufacture, and especially its adoption of mechanical processes, naturally caused a great development of the iron industry without which no machinery is possible. Here again the advantage which England was ultimately to enjoy in this department was by no means obvious, and was only just becoming apparent at the end of the eighteenth century ; at its beginning, the (huge resources of England in iron were still unrealised.) Most of the iron used in England came from the Baltic countries, Sweden being still the great provider of European iron. Blast-furnaces were very few, and the total output only 17,000 tons a year in 1740. This represented a diminution on previous production ; and the fact is that the production of iron was discouraged by the Government.¹ Iron needs smelting, and the only smelting process known was by charcoal, and the burning up of charcoal meant the cutting down of trees. ‘ If there be iron ore,’ wrote Lord Bacon, ‘ and streams whereupon to set the mills, iron is a brave commodity *where wood aboundeth.*’ As a result of charcoal-burning for smelting, England was becoming deforested, and shortage of timber, necessary for shipbuilding, had become a national problem. It needed 4000 oaks to build a large ship, two and a half acres of wood to smelt a ton of iron. Already in the reign of Elizabeth Acts were passed forbidding the opening of ironworks in certain districts. These Acts could not be really enforced : destruction of timber continued, and in 1680 we find Andrew Yarranton writing that many people thought (wrongly, in his opinion) that ‘ it were well if there were no ironworks in England, and it was better when no iron was made in England, and the ironworks destroy all the woods.’ The possibility of utilising the apparently limitless forests of America to relieve the strain on the woods of the mother country had been one of the prime motives in the colonisation of Virginia, and as late as 1710 a member of Parliament complained that ‘ the destruction and waste of the woods in the counties of Warwick, Stafford, Hereford, Monmouth, Gloucester and Salop by these iron works is not imaginable.’ Actually, the (turning of forest land to pasture was probably far more responsible for deforestation than charcoal-

¹ ‘ Up to the eighteenth century,’ says Viljoen in his *Economic Tendencies of To-day*, ‘ civilisation was built on wood, from cities to bleaching. But there was no rational exploitation of forest resources, and Europeans were threatened with losing the material basis of their culture. The production of iron could not keep pace with the demand, and was nevertheless discouraged by governments because of its inroad upon the wood supply.’

burning, but there the fact was, that lack of fuel caused iron to be expensive and, many thought, wasteful.)

Metallurgy had been therefore obliged to depend for its raw material on imported iron. It had developed 'normally'—that is, it supplied the essential needs of the country and its colonies. Sheffield cutlery, Birmingham hardware and ironmongery had a big reputation; all this was made in small specialised workshops by master workers employing one or two assistants; gild control still prevailed, especially in Sheffield; occasionally a merchant would provide the iron and get it worked up into such articles as he required for sale. In the main, the metal industries were quietly prosperous on a system which, in its principal features, was conservative and old-fashioned. Between the lack of expansion of the industries and the comparative lack of raw material the close relation was obvious.

THE PROBLEM OF SMELTING.—The only way out of what seemed to be a blind alley of stagnation was the discovery of some method of smelting iron with some other fuel than charcoal. Of course there was coal, of which large resources were available; Newcastle had 400 coal-ships as far back as 1620, and its mines were called the Black Indies. The huge consumption of coal shows that it was used for other aims than house heating; a petition of 1738, requesting Parliament to prevent an excessive rise in the price of coal, was presented by glass-makers, brewers, distillers, sugar bakers, soap boilers, smiths, dyers, brick-makers, lime burners, founders and calico printers. Coal was evidently used in some metal-working processes, but not for smelting. Experiments went on; a number of failures naturally occurred; one Dudley apparently stumbled on the secret and could get no support.¹ Others followed with no more permanent success until Abraham Darby took out in 1707 a patent for 'casting iron bellied pots and other iron bellied wares in sand only, without loam or clay'; two years later he built up his blast-furnaces at Coalbrookdale, and succeeded in replacing charcoal by coke, but only after many more experiments. At last, by the middle of the century, the process seemed complete, and Postlethwayt could publish in 1747 his 'Considerations on the making of Bar Iron with Pit or Peat Coal Fire,' with the proud statement that (Nature has given us immense plenty both of iron ore and pit coal. British pit coal will come almost as cheap near our

¹ He obtained, in 1619, a monopoly of the 'mystery and art of smelting iron ore and making the same into cast works or bars in furnaces with bellows.' Then he could turn out 7 tons a week, at less than two-thirds of the usual price. Prof. Rees is sceptical as to Dudley's real achievements (*Survey of Economic Development*, p. 164).

collieries as charcoal does in Sweden and Russia.) Postlethwayt was right : by 1756 Darby was turning out 22 tons of iron a week ; the 60 furnaces of 1740 with their 17,000 tons had become, in 1788, 77 furnaces with 61,000 tons, and by 1796, 121 furnaces with 125,000 tons. A series of further experiments discovered methods of making good iron and steel in large quantities at a much lower cost. Some of these involved machinery and water power, thus following the lines of textile development. It is hardly necessary to say that most of these new processes had almost to be forced on the metal industries. Huntsman's patent for highly tempered steel, which was to make Sheffield's fortune, was bitterly opposed by the Sheffield master cutlers, who tried to prevent both the export abroad of his cast steel and the manufacture of the product at home. It was only when they heard that Huntsman was going to settle in Birmingham that they decided not to take the risk of Birmingham's competition and gave the processes a trial. The Attercliffe factory, opened in 1772, seems to have been the first modern steel works. A few years later the first iron bridge was built across the Severn.

THE STEAM ENGINE.—So far it was not so much (mechanical as chemical invention which suddenly made possible the output of metal work on a large scale } it was not lack of appliances but lack of fuel which had crippled the iron industry. At this point, however, a further discovery revolutionised machinery, namely, the use of steam as motive power. In itself, the steam engine dates back to the end of the seventeenth century, when Thomas Savery, using the principle of the power of steam discovered by Denis Papin, built the first practical engine for pumping water out of copper mines. Then Thomas Newcomen improved the process, and his engine became the standard steam pump. This had a big sale, and 'fire engines' were to be seen not only in mines but by canals and by reservoirs of town drinking-water. Newcastle alone had some seventy in 1767. No one thought, however, of using steam for driving a power-engine until James Watt took his patent in 1769. A number of experiments had still to be made before such engines became working commercial propositions ; but in November 1774 one had been installed in the Birmingham factory where Boulton made toys, buttons, buckles, ornamental bronzes, chandeliers, tripods, silver and plated ware, imitation gold and tortoiseshell work. Not only was the steam engine used in the works, but more engines began to be made there. It was all very expensive, uphill work, but orders began to come in ; the price charged was the actual cost of installation plus one-third of the amount saved in coal by using the new

machine instead of the old Newcomen engine. By 1781 Boulton could write that 'the people in London, Manchester and Birmingham were steam-mill mad.' In 1785 a steam spinning mill was set up at Papplewick, in 1786 a steam engine was installed in the Albion Flour Mills in London. and in the next few years a number of steam engines were set up in Lancashire cotton mills and a few in Yorkshire woollen mills. Between 1775 and 1800 Boulton and Watt erected 289 steam engines in England ; of these 55 were in Lancashire, 41 in Middlesex, 31 in Staffordshire, 25 in Shropshire, 21 in Cornwall. Of these 84 were for cotton mills, 30 for collieries, 28 for foundries, 22 for copper mines, 18 for canals, 17 for breweries, 9 for wool and worsted mills. But, however numerous, steam engines were still a novelty in 1788 ; water was the real power, and the revolutionary consequences of the steam engine were still undreamt of.

MINING AND METALLURGY ORGANISATION.—One of the main consequences of this expansion of mining and metal work was a great increase in the number of workers employed on the factory system. Mines could obviously only be exploited by groups of men working on the spot. The earliest records we possess of mining show something very remote from the small beginnings of textile work. The numerous ironworks in the Sussex Weald employed a great variety of workpeople : colliers, miners, furnace fillers, founders, usually paid by piece rates. The Cornish tin and copper mines had from time immemorial been worked on a peculiar system, in which small groups of investors or 'adventurers' made contracts, usually monthly, with small groups of miners, usually four or five ; these groups practically competed with each other as to the amount to be brought up from the mine in the period of time agreed. Coal mines were worked by gangs, sometimes on collective, sometimes on individual contracts ; but whatever the method used, it had always meant working very much on the conditions imposed by the owners or work contractors, without protection from guilds or law. The eighteenth-century miners, as we can see from such contemporary evidence as John Wesley's Journals, were reckoned among the most degraded sections of the population. In Scotland conditions were even worse, miners being still legally serfs, bound to the mine for life, and wearing a collar with their owner's name ; an Act repealing this barbarous practice had been passed in 1775, since 'persons were discouraged or prevented from learning the art or business of colliers and coal bearers and salters by their becoming bound to the collieries and salt works for life, where they shall work for the space of one year, by means whereof there are not a

sufficient number of colliers, coal bearers and salters in Scotland.¹ But this Act of emancipation, which was to take full effect within ten years, proved inadequate and had to be supplemented by another Act in 1799.

If mines were by their very nature outside the domestic system, so were blast-furnaces, and all places of manufacture where elaborate machinery was in use; the producer of iron and steel had to go to the centre of production. So, in a whole number of undertakings, the factory system was becoming indispensable, using the term 'factory' in the broader sense of a place where workers gather around a production plant. But factories mean industrial capital. We have carefully distinguished so far between three forms of capital—commercial, financial, and industrial¹; the first invests capital in undertakings which purchase goods in one market to sell them in another at a profit; the second, in undertakings which lend money at a profit, or otherwise make a profit out of the handling of money or the manipulation of credit; the third, in the manufacture of goods, the sale of which will leave a profit when raw materials and all expenses of manufacture are covered. It may be said that the first two forms are primarily concerned with the distribution of wealth, the last with its production.

It follows, of course, that industrial capitalism is in one sense very old, and is found under a variety of forms. From our immediate point of view, it is clear that it will appear whenever the manufacturer cannot himself find a market for his goods on the spot, or cannot himself obtain the raw material.

DEVELOPMENT OF INDUSTRIAL CAPITALISM.—We have already noted the beginnings of industrial capitalism in the textile industry, when a merchant buys the raw wool and has it worked by weavers in their own homes, according to his own specifications. He controls the process of production because he has the capital that enables him to buy up large stocks of wool at a more advantageous rate than would be possible for the isolated worker; and he has the resources that enable him to take the cloth to the markets where it can be sold to the best advantage. We saw how the woollen industry in the West of England, in Flanders and the Netherlands, the linen industry in Northern Ireland and in several parts of France—Normandy, Picardy, French Flanders—all had passed under the control of the master clothiers, dealing in thousands of yards of cloth and employing hundreds of workers in their homes. These are dependent wage-earners just as much as if they were employed in a factory; and their hours and

¹ See *supra*, ch. iv, § 2.

general conditions of labour were not really much better : they formed an industrial proletariat in the true sense of the term.

Although both the master clothier and the ironmaster, whose undertaking could not be carried on without capital, were in a sense capitalists organising production, yet they did not form a real class distinct from the commercial capitalist. The great mass of industrial production was carried on by small masters, scarcely distinguishable from the mass of their employees. It needed the factory system to elevate the former and depress the latter.

THE FACTORY SYSTEM.—This next step of gathering the workers together in a centre of production comes naturally when machinery appears which is too expensive to be bought by individuals or too big to be housed in a cottage. But it is worth noting that many factories were built for the mere convenience of centralising the work. In the French woollen industry, before the coming of any machinery, we find thousands of workers employed in huge buildings of several stories, notably at Rheims and Louviers. Some of the early 'factories' were work centres for poor relief ; others developed directly out of the common mills, ovens, breweries, foundries of the feudal manor. Any type of work could, in fact, be advantageously run on factory lines if it produced goods for which there was a steady, large demand, and which could be produced fairly simply and inexpensively in areas where there was a good supply of cheap labour. One reason, in fact, why England was the country where the factory system developed most rapidly was precisely that she was the country in which the free peasant had been evicted from the land, forming a ready-made industrial proletariat. Another condition was freedom from gild regulations and restrictions ; and this also prevailed in England ; this made the system specially adaptable to new industries which had never been under gild control, and explains why the cotton industry scarcely knew a domestic stage, being built up from the beginning round water-power machinery. The same is true of porcelain and heavy silks.

The big cotton and silk mills of the later eighteenth century represent, of course, the definite stage of complete industrial capitalism : these mills are expensive to fit up ; a large outlay is necessary ; money must be found and invested. The same is true of the new methods of mining, of blast-furnaces, ironworks, etc. : they can only be built up with large funds yielding only a slow return. In a word, modern industry needs capital.

THE NEW MANUFACTURING CLASS.—It would be a mistake to think that the class who invested capital in industry was the

same as that who, a generation earlier, invested it in commerce ; the latter was frightened at the outlay involved and at the risks to be taken, and, as long as profits were still to be made along the old lines, kept to the safe old paths. As we saw earlier, joint-stock companies for manufacturing had not yet caught on. Many of the early manufacturers were country gentlemen who had turned to small-scale industry ; many were just small weavers who had made profits and reinvested them in a few machines, and so expanded into factory owners ; others were farmers or shopkeepers who had some money to spare and put it into a small mill. 'Are manufacturers,' asked a Cotton Industry Enquiry in 1803, 'in general sufficiently acquainted with the process of weaving to be able to determine a dispute which arises on the badness of the material ?' And the answer was No, because 'the master is never acquainted with the art of weaving ; he just puts in a man who understands the trade, invests his capital and, when he gets the price of the market, goes forward.'

And if many of these early manufacturers lacked skill, they lacked even more an inventive turn of mind ; they were men of shrewdness and enterprise, who knew how to make use of the inventions of others, often depriving these of their legitimate share of the profits : very few inventors really reaped the full reward of their skill. Many of these pioneers made very humble beginnings ; the more elaborate machinery came later, bought out of the first profits. To expand needed courage ; it needed also the realisation that local consumption was quite inadequate for this new large-scale production, and perseverance in finding out a market for these goods, not only in England but all over Europe and even outside it.

A man like Boulton, the engine manufacturer, on the other hand, represented an entirely different type : a wealthy man, cultured, making an art of manufacturing, the friend of some of the most distinguished scholars of the age, scrupulous in business and a liberal employer. Wedgwood, the founder of the pottery and china works which were to give him a world reputation, and to make of Staffordshire the greatest centre of pottery-making, was a self-educated man, apprenticed at the age of nine, but an omnivorous reader, whose studies of the Greek and Roman classics in English translations gave him the ideas which led to some of his most original designs. He was an expert chemist, and said that 'the fox-hunter did not enjoy more pleasure from the chase than he did from the prosecution of his experiments.' Many of these early manufacturers were men of advanced political views, who supported both the American and the French Revolutions. It must be said, however, that men of the Boulton and

Wedgwood type were exceptions. The average manufacturer had the reputation of being a hard-headed business man, proud of his wealth and often ashamed of his humble beginnings, reluctant to forgo any profit or to part with his money: when, early in the nineteenth century, funds were collected for the first Sunday school in Manchester, the cotton spinners only contributed some £90 out of the £2500 ultimately raised.

POLICY OF THE MANUFACTURERS.—What is clear is that, by 1788, manufacturers had achieved a distinct class-consciousness based on a clear common interest. The leaders in mining and metallurgy joined in protesting against Pitt's intention to levy a tax on such raw materials as coal, iron and copper, declaring that 'taxes should be laid on riches when got, but not on the means of getting them. Of all things, do not cut open the hen that lays the golden eggs' (1784). The protest failed; the next year we find a 'general Chamber of Manufactures,' under the chairmanship of Wedgwood, protesting successfully against a proposed Anglo-Irish commercial treaty, while, on the other hand, most of them hailed the treaty of 1786 with France as opening new markets, in opposition to the landowners who wanted to restrict food imports—an anticipation of the 1846 controversies around the Corn Laws.

Manufacturers were also successful in uniting to obtain special legislation in their interest, such as the law of 1782 against workers who, when on strike, broke looms or destroyed goods. A few years later we find in Bolton a 'Black Book' of workers who had stolen raw material and whom none of the sixty local manufacturers would employ—a striking case of combination among masters at a time when combination among workers was a criminal offence.

EVILS OF THE FACTORY SYSTEM.—This last instance illustrates the chief difference between the new industrial capitalist and the old employer who gave out work to be done at home—namely, the absolutely uncontrolled power of the former. No law of any kind, no custom or tradition was going to limit his authority. Wages, hours and conditions of labour, employment of women and children, all these were to be left to the play of free bargaining between master and worker. 'Trade, industry and barter,' said Pitt in 1796, quoting the new ideas then in the air, 'will always find their own level and be impeded by regulations which violate their natural operation and derange their proper effect.' As a matter of fact, six years later (he was to bring in the first Factory Act, but meanwhile free bargaining had had time to work out some of its worst consequences)

Among these stands out child labour, which seemed so natural to the eighteenth-century mind that Defoe was proud to remark that in Taunton and the neighbourhood 'there was not a child above five years who could not earn its own bread.' In Halifax also he saw 'women and children carding and spinning, all employed from the oldest to the youngest.' Nor was this special to England, for as far back as 1677 Yarranton urged the establishment of spinning schools for small children as in Germany, where 'in all towns there are schools according to the bigness or multitude of the poor children.' He describes the school with its strict discipline, whipping at the slightest suspicion of 'idleness,' and remarks that 'this way of ordering the young women of Germany is one great cause that the German women have so little of the twit-twat. And I am sure,' he adds, 'that it would be well were it so in England. And it is clear that (the less there is of speaking, the more there may be of working.)

The horrors caused by child labour have been so often described that we need not go into them once more. Ignorance, disease, immorality, starvation and physical torment was the lot of most of these miserable victims of this new industrial competition.¹ It must be added, however, that according to contemporary witness, if 'the creatures were set to work as soon as they could crawl, their parents were the hardest of task-masters,' and public opinion saw in the 'idleness' of the child a social crime: the Rutland authorities had adopted, in 1785, a rule 'that no persons be allowed any relief on account of a child over six years of age who shall not be able to knit, or on account of a child of nine who shall not be able to spin either linen or woollen'; and a benevolent clergyman, who had an exceptional interest in the welfare of the working classes, recommended in 1796 the general adoption of such a rule.

Some people might indeed regret that 'the man who has only the unsubstantial property of labour to offer in exchange for the real visible produce of landed property, and whose daily wants require daily exertion must, it may be said, from the very nature of the situation, be almost entirely at the mercy of his employer.' This was very sad, perhaps, but it could not be helped. 'It is not probable,' the writer went on to say, 'that the arguments of

¹ 'Mr. Wortley insisted that although in the higher ranks of society it was true that to cultivate the affection of children for their family was the source of every virtue, yet that it was not so among the lower orders, and that it was a benefit to children to take them away from their miserable and degraded parents. He said also that it would be highly injurious to the public to put a stop to the binding so many apprentices to the cotton manufacturers, as it must necessarily raise the price of labour and enhance the price of cotton manufactured goods' (*Life of Sir Samuel Romilly*). The speech here quoted was made in Parliament in 1811.

philanthropists will ever have much weight in persuading the great mass of employers to increase the wages of employees, for it is by imperious circumstances alone, which neither master nor workman can control, that the demands of the one and the concessions of the other are regulated.'¹ Besides, 'every one but an idiot knew,' according to Arthur Young's famous phrase, 'that the lower classes must be kept poor or they will never be industrious.' In fact, the re-establishment of slavery as a punishment for vagrants was seriously put forward by some would-be reformers; and the Hammonds suggest that this belief of the upper classes that the (poor were unfit to use leisure wisely, and should therefore have none) contributed more than anything else to the hatred of the workers for the employer class.

WAGES AND COST OF LIVING.—It will be noticed from these quotations that the attempts to regulate wages, made in previous times by the State, had been completely given up. Such attempts, still fairly frequent with varying success in the sixteenth and seventeenth centuries, had been virtually abandoned, after the revolution of 1688 had made the employer class dominant in the State. In 1728 the Gloucester Justices reintroduced the fixing of textile wages, but the rule was ignored by the master clothiers; and an attempt to revive it in 1756 by Act of Parliament, while at first apparently successful, was ultimately defeated by the employers, to the anger of the weavers, who vainly tried to answer with a strike. The repeal of the Act of 1756 marks, in fact, the final abandonment by the State of wage regulation in the woollen industry, and indeed in industry in general, although the London authorities attempted in 1770 to regulate the wages of coal heavers, and in 1773 those of silk weavers. Those of London tailors, however, remained fixed by the Justices. In 1800 an Act was to be passed establishing a system for the fixing of cotton weavers' wages by an arbitration board; but this never worked well, and in 1813 the employers were to obtain the final repeal of the Statute of Artificers of 1561, on which all wage regulation was based.

We have seen in other chapters how difficult it is to form an accurate estimate as to the relation of wages to the cost of living. We need to know, as M. Mantoux reminds us, whether the wages paid are regular throughout the year, or variable, or intermittent; how much is earned by other members of the family; how much may come in from other sources—a bit of land, a cow, a pig. Then we need to have accurate information about prices and their stability. In the main, industrial wages were higher than

¹ Eden, *State of the Poor* (1797).

agricultural. Whereas an agricultural labourer earned, about 1770, some five to nine shillings a week, a Manchester weaver earned seven to ten shillings, a Leeds weaver eight, a Witney blanket-maker eleven, Devonshire wool-combers, Rotherham blacksmiths and Sheffield cutlers thirteen, Newcastle miners fifteen shillings. It is true that the Leicester and Nottingham frame-knitters only made about four to six shillings, but they were exceptionally badly paid. By the end of the century cotton wages had risen to sixteen shillings in many mills, some specialists receiving as much as twenty-five shillings; the average wage of a metal worker was fifteen to twenty shillings. Much of this rise was more apparent than real, owing to the rise in prices; and the overcrowding of the labour market, due both to the increase in population and to the heavy migration from country to town, caused a fall in actual wages after 1793. The wages of women and children were, of course, much lower; miners' wages varied from seven shillings in Yorkshire to double that amount on Tyneside.

As we have just stated, prices were rising, even before the disturbances caused by the Revolutionary wars. Prices had been low and standards of life had risen steadily between 1714 and 1770. 'It was then,' says M. Mantoux, 'that comfort, a new word and a new thing, made its first appearance, not only in the middle but also in the working class, with leather shoes and white bread.' After 1770 the supply of home-grown wheat began to diminish, and bad harvests meant dear bread. The price of wheat rose from forty-five to sixty-six shillings a quarter in London, and many disturbances took place. Meat rose from three-halfpence to threepence and fourpence a pound, cheese from twopence to fourpence, and this before the war increases, which raised many prices three- and fourfold.¹ About 1785 meat was still a luxury in most working-class agricultural homes; potatoes had become a staple article of diet, and large amounts of cheese were consumed. Tea had become a usual drink, even without sugar; it was cheaper than beer.² In the towns, meat-eating was more usual, but drunkenness was also more prevalent; and the housing problem was becoming acute, thousands living in dismal, narrow

¹ It should be noted, however, that the rise in prices was not universal. Certain articles, such as candles, oil, sugar, tea, salt, were becoming cheaper owing to a more abundant supply.

² John Wesley thought tea-drinking was becoming a bad habit and that 'it would prevent great expense as well of health as of time and money if the poorer people of our society could be persuaded to leave off drinking it.' He resolved to begin and set the example. 'I expected some difficulty in breaking off a habit of six and twenty years standing, but after three days of headache and drowsiness I found no inconvenience but a sensible benefit in several respects' (*Wesley's Journal*, 1746).

streets in tumbledown houses. 'Many live in cellars so damp that they are unfit for human habitation; fever is the usual effect, and I have known many cases of consumption which can be traced to such causes,' said Dr. Ferrier of Manchester in 1790. And similar descriptions abound.¹

LABOUR UNREST.—It is not to be expected that the workers should accept without any protest conditions of labour that were only a degradation from their former status. Labour unrest was, in fact, widespread in the later eighteenth century, and even earlier.² A poem of the days of William III bears the significant title of the 'Clothier's delight or the rich man's joy and the poor man's sorrow, wherein is expressed the craftiness and subtility of many clothiers in England by beating down their workmen's wages,') and ends with :

And thus do we gain all our wealth and estate,
By many poor men that work early and late;
If it were not for those that do labour full hard,
We might go hang ourselves without any regard;
The combers, the weavers, the tuckers also,
With the spinners that work for wages full low—
By these people's labour we fill our purse,
Although we do get it with many a curse.

This labour unrest expressed itself along two lines, peaceful association to improve labour conditions, and violent protests against unpopular measures. As early as 1700 the wool-combers of Tiverton had formed a friendly society, and this soon became a general 'unchartered corporation'; one reason for its strength was that wool-combing was a highly skilled trade and the number of combers was limited, so that they were not easy to replace. They were, therefore, able to enforce a rule that no man should comb wool under two shillings a dozen. In 1720 and 1749, violent strikes of combers broke out in Tiverton against the importation of Irish-combed wool; the strikes failed, but the combers left Tiverton, to the great detriment of its prosperity.

The Somerset and Devonshire weavers also tried to combine; their attempts were checked by an Act of 1725 forbidding any combination among weavers for the purpose of regulating the trade or raising wages, and punishing severely any attempt at striking; but although thus checked the combination was not

¹ In eighteenth-century London births were always fewer than deaths—15,623 as against 21,461 in 1710, 21,477 as against 23,080 in 1790.

² In *Johnson's England*, Professor Trevelyan suggests that 'a little more social discontent in the time of Walpole and Chatham might have prevented the Industrial Revolution from developing, when it came, on lines chosen with so little regard to the masses.'

dissolved. Journeyman tailors also combined, especially in London; and in spite of repressive legislation many strikes took place. Serious unrest among the silk weavers was constant, and troops had to be called out on several occasions, until the Act of 1773 fixed silk wages on a basis acceptable to the workers. Strikes among miners were also frequent, especially on Tyneside, where traditional conditions of employment—on a yearly contract which was binding on the workers but not on the masters—led to perpetual conflict. We also read of a strike of Glasgow muslin weavers, in 1787, that shows a considerably developed organisation; and a few years later the Lancashire Society of Cotton Weavers was formed to ventilate their grievances by peaceful means, and, thanks to its moderate policy, was able to survive the laws which ultimately destroyed all workers' combinations in 1800. Again, in 1790, the Sheffield manufacturers prosecuted the knife-grinders for unlawful association for higher wages, and got five of them convicted for 'conspiracy'; but, on the other hand, the Kent paper-makers and millwrights had organisations which enabled them to carry out a number of successful strikes between 1789 and 1795.

The introduction of machinery and the development of the factory system did not, as can be expected, ease the situation. It was natural that machines should be disliked and that much machinery should be smashed as likely to create unemployment; but it is important to note, as M. Mantoux reminds us, that much of this destruction, especially in the later stages, was a demonstration of hostility against the employers who owned the machines, rather than against the use of machinery in itself. Between 1770 and 1780 machine riots were frequent; then it began to be realised that machines did ultimately bring prosperity and more employment, and they became a symbol of masters' powers rather than an evil thing in themselves.

THE COMBINATION ACTS.—Every attempt at combination by the workers, however peaceful, was checked by the rigid application of a system of laws which forbade all forms of union among employees against the masters, while allowing every possible form of combination of employers against the workers. All these wanted was the possibility of earning a decent living: 'the Legislature,' said the Committee that reported on the calico-printers' petition against the Combination Laws in 1804, 'could never mean to injure the man whose only desire is to derive a subsistence from his labour, and that indeed is all a journeyman calico-printer can look to; from the particular nature of his trade, differing much from others, he cannot, from the capital

required, ever calculate on becoming a master.' But as his employer always wished to reduce his wages to a minimum, and as the Legislature was virtually the mouthpiece of his employer, the purpose of the Combination Acts was precisely to prevent the man from getting a proper livelihood, for without combination the worker was helpless.

Theoretically, most of the associations we have referred to had always been illegal, owing to the numerous Acts passed to prevent workers' combinations in various trades; but they were illegal because of the survival of the tradition that conditions of labour had been regularly settled by previous legislation, so that 'combinations could no more than individuals be permitted to interfere in disputes for which a legal remedy was provided.' By the end of the eighteenth century, however (State intervention had become discredited; guilds were gone, traditional rules had become a dead letter) and the new Combination Acts, which were a complete violation of the ruling principle of free contracts, were nothing but a piece of class legislation. The famous Act of 1799 passed through all its stages in twenty-four days, and only one voice was lifted in each House against it. In the Commons, Benjamin Hobhouse contrasted the restrictions on the workers with the freedom left to the employers; in the Upper Chamber Lord Holland attacked the Bill as 'unjust in principle and mischievous in tendency. Circumstances might arise that might render an increase in workmen's wages necessary on principles of justice and humanity, but if such a Bill as this were suffered to pass, no fair attempt could ever be made on the part of the journeymen to get their wages increased without subjecting them to the pains and penalties of this Act.' But nobody even took the trouble to answer Lord Holland or Mr. Hobhouse. Protests against the Act poured in, and it was slightly revised in some details in the following year, when Sheridan said of it 'that a more intolerable mass of injustice had never been entered on the Statute book'; but the employers managed to make the revisions inoperative and the Act remained in force. It opened a period of some twenty-five years of constant persecution, only mitigated by the occasional leniency of magistrates or by great ingenuity in disguising a union as a friendly society or benefit club.

Thus, at the close of the eighteenth century the last remaining safeguards of workers disappeared against the full effects of unfettered competition in a labour market that was becoming every year more overcrowded. The modern observer can discern a slight ray of light in Peel's Act of 1802, preventing all young persons from working more than twelve hours a day, and that only between 6 A.M. and 9 P.M., with a minimum of education,

and of decency in working conditions. But this Act only applied to large textile factories ; its terms were vague and easy to evade ; the penalties were too light ; inspection was inadequate ; the Act was not meant to be a precedent, and Peel himself always opposed its extension. The important principle, however, had been admitted that, when all was said and done, the State could not wash its hands altogether of labour conditions ; that unlimited competition could be checked, and that, to quote Peel himself, 'wealth was pursued in this country with an eagerness to which every other consideration was sacrificed, and with excesses calculated to call down the vengeance of Heaven.'

POPULATION CHANGES.—The changes in the distribution of population caused by all these events have been so often described that a very brief treatment will be sufficient. These changes were threefold : first, a move from country to town ; secondly, a move from South to North ; thirdly, a net increase in numbers. That industrial development should cause concentration from scattered villages into centres of work is obvious enough. As to the move northwards, it should be remembered that it occurred even before the use of coal as the chief source of power ; it was primarily the richness of the North in water power that caused the establishment of the cotton trade in Lancashire and the supremacy of Yorkshire for woollens ; it is true, however, that the increasingly general use of coal, even before the days of steam power, caused industry to select sites near the coal deposits of the North.

Before the Industrial Revolution began, (say) about 1700, the total population of England was about $5\frac{1}{2}$ million. The most populous counties were Middlesex, Somerset, Gloucester, Wiltshire and Northamptonshire. One-tenth of the population lived in the London area, while the six northern counties had but one-fifth of the total. Of the chief towns after London, which numbered about half a million, Bristol and Norwich came first with 25,000 to 30,000 ; after them came York and Exeter with half that number, while Gloucester, Nottingham, Manchester and Leeds numbered 7000 to 8000, Liverpool and Sheffield about 4000. The density of the population was very low, nowhere over 150 to the square mile outside the London area ; the birth-rate was about 34 per thousand, the death-rate 31.

By 1750 the population had increased by a full million ; that of Manchester and Liverpool had jumped to about 40,000, the rise of the latter being due entirely to increased shipping trade, not yet to the cotton industry. Birmingham and Sheffield were also near the 40,000 mark. The West Riding of Yorkshire

had increased from 240,000 to 360,000, but was still mainly rural, for, as we saw in the previous section, Leeds only numbered 15,000, Halifax 6000, Huddersfield and Bradford less than 5000.

By 1800, the year of the first official census,¹ the effects of the Industrial Revolution are far more apparent. The total population of England is now nearly 9 million, showing a fourfold increase in the rate of multiplication;² the most populous counties are Middlesex, Lancashire, the West Riding of Yorkshire, Staffordshire and Warwickshire. There are now 15 towns with a population of over 20,000, and 105 over 5000; 17 per cent. of the population was urban. Manchester had reached the 100,000 mark; Liverpool and Birmingham were over 75,000, Leeds over 50,000, Sheffield over 45,000. Norwich had dropped to tenth place; the 'cities' of Devonshire had actually declined in numbers. Although far from complete, the revolution in population, with all its stupendous consequences, was well begun.

§ 2. INDUSTRIAL DEVELOPMENT IN OTHER COUNTRIES

Having isolated for special study the unique industrial development of England, we can now see what had been happening in the rest of Europe.

FRANCE'S NATURAL ADVANTAGES.—As in commerce, so in industry, France would have been considered, at the beginning of the eighteenth century, as the country most likely to win the race for economic supremacy. French industry had always an advantage over that of England: it was not so specialised, and was therefore less dependent on particular markets. A period of great expansion under Colbert in the middle of the seventeenth century was followed by a period of decay during the last thirty years of the reign of Louis XIV; then came a renewal of economic activity which was still in full swing on the eve of the Revolution. But the continuation of the gild system prevented this expansion from making full use of French economic resources, and the efforts made by the Government to help industrial development were largely negated by the opposition of vested interests.

Textiles were the chief French industry: 2 linens (in spite of the competition of the Belfast linen trade, itself established by

¹ A Census Bill was thrown out by the House of Lords in 1753 as 'subversive of the last remnants of English liberty.'

² It was between 1780 and 1790, according to Professor Clapham, that the population reached its maximum crude birth-rate—3.73 per marriage.

French Protestant refugees) woollens in Normandy, Picardy and Languedoc, and especially silks, of which Lyons had become the metropolis, obtaining raw silk not only from Spain and Italy but from the Levant and China. The silk trade, like the linen, had received a serious blow from the emigration of many thousands of Protestant workers after 1685, but not even this loss could seriously shake French supremacy in this branch, helped as it was by Vaucanson's invention of silk looms. Cotton was slow in developing, owing to the success of the other textile industries in obtaining the prohibition of manufactured cotton cloths, whether imported or made at home. But in 1759 the prohibition was lifted, and Rouen began its career as 'the French Manchester.' Technical progress was slower than in England, French manufacturers being shy of new methods, largely owing to the opposition of corporations interested in the maintenance of the old: in 1695 button-makers successfully prevented the making of buttons on turning machines; and plumbers struggled for years against the introduction of processes which had been used in England for over thirty years. About 1770, however, the use of English spinning jennies became general, and Arkwright's machine was introduced in 1784.

France also kept her reputation as a manufacturer of fine china and of glassware; the royal porcelain factory created at Sèvres by Colbert soon obtained a world-wide reputation, as did the Gobelins tapestry works founded in the same period. Baccarat, the famous centre of fine glassware in Lorraine, had become French in 1766, and the works of St. Gobain also made French glass famous. Paper, too, had been for years a product in which French industry excelled, especially at Troyes and Angoulême.

The development of mining and metallurgy had been slower, but by 1756 the mines of Anzin had thirty pits, from 900 to 1200 feet deep; some twenty million francs had been invested in the undertaking, which employed over 4000 workers and extracted yearly 350,000 tons of coal, the net profits being as high as the total costs. But the French coal output was not yet a hundredth of its possibilities. Salt, however, was extracted on a large scale. Much foundry work was also carried on, the famous Creusot works in the Loire valley being opened in 1785. A few years earlier the Wendels had begun to use the English 'coke-smelting method for iron.

SMALL-SCALE CHARACTER OF FRENCH INDUSTRY.—Industrial organisation was still based on small master-producers, each responsible for a very small total output. It is significant, for

instance, that the number of bakers in Paris was, in relation to the population, twice what it is to-day, in spite of the fact that far more housewives baked their own bread. Very few masters had more than one or two apprentices; and the delicate workmanship, which has remained to this day a French characteristic, could not be carried out in large shops. In Bordeaux, the ratio of masters to workmen was about one to four, and even in Paris it was less than one to sixteen. In the Orleans province—and these figures are typical of all France—the stocking industry employed 2287 people distributed in fifty-five workshops; glove-making employed 900 workers and twenty-one masters. The dissemination of industry is shown by the fact that in 1789, out of a total population of about 25 million, Lyons and Bordeaux only (apart from Paris with her half-million) reached 100,000 inhabitants, no other city reaching over 50,000. The urban population was only about 11 per cent. of the total. There was no sign as yet of anything that might be called an industrial revolution; the utmost that could be said was that industry showed a slight speeding up towards the end of the eighteenth century, agriculture being still the dominant occupation.

The survival of guilds was, as we said, an important factor in retarding the industrial development of France. They did not merely survive: their number had been actually increasing, partly because they facilitated the royal control of industries, partly because they could be made a source of revenue. In 1672 Paris numbered 60 guilds, and 129 in 1691. Regulations about apprenticeship were made stiffer; the control of workshops and of the quality of goods was, theoretically, stricter than ever. In fact, so burdened were the guilds that in some cases they could no longer find apprentices willing to be recruited. Fortunately for French industry, there were many of the newer towns where the guild system had never become rooted and where trade could be carried on with a fair amount of freedom. Further, the newer industries, based on concentration of labour and capital, could not be fitted into the guild system. The development of rural industries, very marked in the eighteenth century, by which merchants 'gave out' to peasants work on raw materials which they provided, meant, of course, the growth of a mass of industrial production which entirely escaped guild regulation.

The royal policy of using for political purposes the old guild system, with all its restrictions on industry, was in complete contradiction with the equally emphatic royal policy of encouraging industrial expansion. Freedom from taxation, bounties, loans, prohibitive duties on foreign goods that might

compete with home production, monopolies, and, where private enterprise was inadequate, the establishment of factories either by the State itself or by leading nobles, were all resorted to, and it would be difficult to find a stimulus to industry which the *ancien régime* had overlooked. But it refused no less steadily to invest in industry the millions spent on continental wars or wasted by the court, or to reform a system of taxation which caused the poor to say that it was no use working hard to earn more, since the revenue officers would extract from them every penny they earned above the barest of livelihoods.¹

INDUSTRIAL CONDITIONS.—This leads us to the question of the condition of the working classes. As in England, hours were long, fourteen to sixteen, and wages low, the equivalent of a shilling a day being an average wage; the slight rise in wages which marked the reign of Louis XVI (after 1774) was accompanied by an even higher rise in prices. 'It is essential,' wrote an employer, 'to maintain the worker in a perpetual need of work, never to forget that low wages are in themselves advantageous to the manufacturer and become all the more so by making the worker more industrious, more settled in his way of life, more submissive.'² The badness of working-class conditions is shown by the widespread destitution, which had its share in bringing about the Revolution. The reports from provincial officials are full of allusions to (unemployment crises, to starvation both in town and countryside, to the influx of beggars from the latter into the cities) The government was not altogether blind to the problem and opened 'charity workshops' and relief offices; but nothing was adequately organised. It was not until much later that poor relief was definitely recognised as an official responsibility. Friendly societies did something here and there to unite workers in defence of better conditions, and certain industries such as the hat-makers, the paper-makers, the printers³ were sufficiently organised to obtain reasonable conditions of labour, sometimes after a strike such as that of the Marseilles hat-makers in 1787. Another institution which gave the workers some power of resistance against the masters was the 'gilds of Companions,' formed by the journey-

¹ According to Turgot, in his *Mémoire au Conseil sur la surcharge des impositions*, the 'taille,' or land tax, amounted to 80 per cent. of the produce, and he adds that 'owing to the ease with which any wealthy person could enter the ranks of the privileged classes, taxes and public dues had become the mournful privilege of those having no private fortune.'

² Renard and Weulersse, *Labour in Modern Europe*, p. 257.

³ Printers and booksellers formed the 'Book Corporation,' which was a virtually professional body, exempted from much trade taxation, and enjoying the same prestige as the gilds of teachers and scholars.

men employed in trades in which they could not become apprenticed and hence rise to masterhood. These guilds, which were virtually secret societies and were very widespread, acted as friendly societies and were often able to prevent men from having to accept employment from unpopular masters. Had they been united, the Companions could have done much for working-class conditions, but they were divided into two conflicting federations, and much of their energy went to futile and often violent internal conflict. They also had to face the unrelenting opposition of the authorities. We quoted in the last chapter the law of 1539 forbidding all professional organisations; edicts of 1749 and 1777 obliged every workman to carry an identity card, without which no work could be obtained, and which effectively placed every worker under police supervision; further measures forbade any meetings of more than four workers, even for mutual benefit purposes, forbade the paying of subscriptions to any unauthorised societies and ordered all such to be dissolved. In 1781, an edict of the 'reforming' Turgot re-enacted all former prohibitions: no combined action could be taken concerning wages; no worker could leave his employer without due notice; no employer could employ a worker who failed to show a proper discharge from his last employer. Many of these regulations were, in fact, unenforceable, and only served to create a gulf between the government and the working classes; but it is worth noting that one of the chief laws of the reformed 'constitutional' monarchy in 1791 was a fresh prohibition of all workers' associations.

This survey of French industrial conditions can be usefully completed by a glance at the chief economic demands of the famous 'Cahiers,' drawn up at the time of the elections to the States-General in 1788. These statements of grievances of each of the three orders—Church, nobility, Commons—are, of course, primarily political, but it is striking that all three orders should be practically unanimous in demanding a complete remaking of the fiscal and taxation system, and the voting of taxes by some representative assembly. Beyond these essential reforms the third estate asked for the abolition of all that remained in the way of feudal dues; the peasants protested against being driven away from the old common land, and against the building up of large estates by the eviction of the small farmer. In industry, there are many protests against the survival of guilds and regulations, and against the policy of making trade free and open; small masters protested against the spread of rural industry and of machinery. Here and there workers' groups asked for the right to form associations. All united in asking for freedom of trade within the country and for full freedom to export: but the conflict of

interests between employers and employees in general, and, among the former, the conflict between the commercial classes wanting freedom and the industrial classes wanting protection, showed acute divergences which prevented anything like a united national economic policy.

HOLLAND AND PRUSSIA.—Second only to England in industrial development, France had no real rival in Europe. Her most serious competitors were Holland and Prussia, and both these owed much of their industrial advance to the Protestant refugees from France; their religious liberalism was to them a source of great economic power. Holland, although primarily a commercial centre, could hardly help expanding industrially as well. The cloth, linen, hat and silk industries of Leyden and of Haarlem were greatly expanded, sometimes practically created, by the refugees. Holland also became the greatest printing centre of Europe, almost the only country where anything could be printed freely: Spanish intolerance had deprived Antwerp of her former position in the printing trade, and thousands of French books were printed in Rotterdam and Amsterdam. For skilled craftsmanship—lenses, scientific instruments, fine porcelain, silk ribbons, delicate velvets—Amsterdam, Delft and Utrecht excelled. Education standards were unique for the age, illiteracy being practically unknown, and technical training having reached a very high level. Holland was the only European country where the urban element predominated over the rural.

The industrial development of Prussia, very marked in the eighteenth century, owed no less to the wisdom of her kings than to the refugees; it was the 20,000 Huguenots, driven to Brandenburg by the Revocation of the Edict of Nantes, that gave Prussia her watchmakers, her jewellers, her sculptors; that laid the foundations of a large-scale cloth industry, of printed linen, of knitted stockings, of paper, of glass, of beaver-hat making. Metal work came later, after the eighteenth-century wars, but between 1763 and 1773 some 264 foundries were built, and Frederick II could write to Voltaire in 1777 that iron could be turned into steel better than in France. Between 1648 and 1789 the population of Berlin had grown from 6000 to 114,000.

Technical education, export prohibitions on raw materials, import prohibitions on manufactured articles, State factories, where private enterprise failed—in all these Frederick II was the faithful imitator of Colbert: 'I prohibit importation as much as I can, because it is the only way to make my subjects manufacture themselves,' he said. The one weak point of Prussia was her isolated position, which denied her any hope of a big foreign

trade. A few Jewish bankers laid the foundations of a credit and banking system, but commercial companies all failed.

INDUSTRIAL BACKWARDNESS OF OTHER COUNTRIES.—Of the rest of Germany, all that need be said, as indeed of most of Europe, is that it was still a country of (gilds and restricted industrial life) Little progress was made; in many cases there had been a positive decline in the last two centuries. The slight revival of Spain under Charles III, of Portugal under Pombal, affected only agriculture. Italian industry was dying out because of the rigidity of the gilds. The (Scandinavian countries were agricultural and commercial, not industrial) the introduction of cloth-making on modern factory lines by Jonas Alstromer at Göteborg is the only exception—in 1728 some 20,000 workers were employed there. The production of iron was still important, however; new processes were developed, and by 1770 Sweden could export steel. In Russia, the slight industrial expansion which took place under Peter the Great and Catherine was the work of foreigners, and remained largely outside the national life. Mining, leather work, some textiles, mark the sum total of an industrial production that could not even meet the simple needs of the population.

III. THE WORLD OF AGRICULTURE

Much space has been taken up with the picture of a vast expansion of commerce and industry, but it must be remembered that at the end of the eighteenth century Europe was still overwhelmingly both rural and agricultural—that is, the vast majority of its inhabitants lived outside towns and were engaged in occupations directly concerned with the production of food. The essential balance of economic and social forces remains the same as two hundred years earlier; town and country, merchant and landowner, peasant and journeyman all stand to each other in much the same relation.

§ 1. AGRICULTURE IN ENGLAND

As in commerce and industry, so in agriculture, the destinies of England differ so widely from those of other countries that they demand separate treatment.

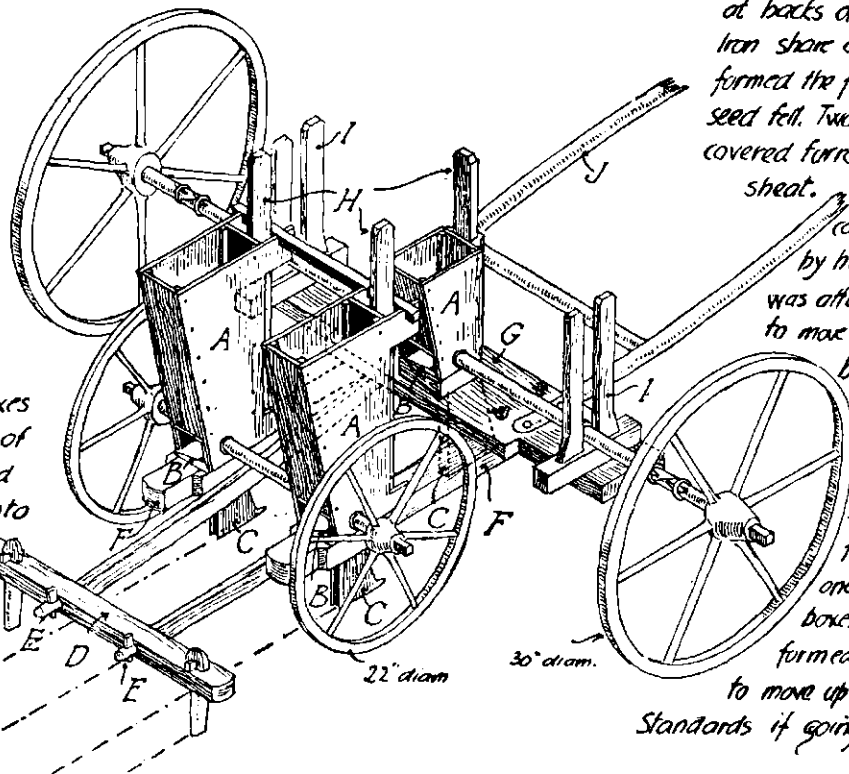
DISAPPEARANCE OF SMALL OWNERSHIP.—The main feature of agricultural England is now the widespread disappearance of anything that can be called a peasantry, in the sense of small

land-owning farmers. England had definitely become a country of large estates, divided into good-sized farms let out on various forms of leases. Whereas about 1700 a careful observer, Gregory King, estimated that half the land was in the hands of independent farmers, freeholders or copyholders, with an average holding of about 70 acres, by 1780, in many parts of England, as much as nine-tenths of the land was let out to tenants, the average holding being about 300 acres. The 'yeoman,' or small independent farmer, had been practically squeezed out of existence. The disappearance of the small farmer-owner was due to a number of connected circumstances. First we may place the great improvement in agricultural technique and scientific farming; Jethro Tull (1674-1740) discovered that by constant tillage you could, without fallows or manure, grow for year after year (heavier wheat crops with one-third the quantity of seed); he practically introduced into England the growing of turnips, and by using this as cattle food was able to stop the prevailing habit of killing off cattle at the end of the summer because of scarcity of winter food. Bakewell (1725-95) made experiments in breeding and effected extraordinary improvements in the quality of horses, cattle and sheep; the average weight of cattle and sheep offered for sale in London is said to have increased 300 per cent. as the result of his work. Further experiments, all resulting in much greater fertility of soil, were made by Lord Townshend, Coke of Norfolk, and the Duke of Bedford.

The new methods of farming, however, were only worth trying on large compact farms. The old system, still so prevalent, by which each farmer owned strips of land in various open fields, prevented any real progress, for it was impossible for any one man alone to bring about any improvement or make any change: every one of his neighbours must move too. A farmer wishing to make experiments must have all his land under direct control, well separated from that of others, protected by hedges from the depredation of his neighbours' cattle. He must have a big enclosed farm. He must have capital, too. 'Where,' asks Arthur Young, 'is the little farmer who will cover his whole farm with marl at the rate of 100 to 130 tons per acre? who will drain his land at a cost of 40 to 60 shillings per acre? who will send across the kingdom to distant provinces for new implements and for men to use them? Deduct from agriculture all the practices that have made it flourishing in these islands, and you have precisely the management of small farms.' But the farm worked along new lines was a good economic proposition. The growing population needed food: it is striking that whereas in the first half of the century England is steadily exporting

- A. Hoppers
- B. Funnels
- C. Sheats
- D & E. Harrow
- F. Main Beams
- G. Plank
- H. Standards
- I. Slides
- J. Shafts

Seed fed into
hoppers at A. A. A.
fell into Seed boxes
fixed on bottoms of
hoppers - from seed
boxes seed fell into
funnels at B. B.
these discharged
seed into trunks



at backs of Sheats at C. C. C.
Iron share on bottom of sheat
formed the furrow into which
seed fell. Two hinder sheats
covered furrow made by front
sheat. Harrow at back
covered furrows made
by hinder sheats. Harrow
was attached by arms free
to move up & down & cross
bar D could turn
on E. E.: F. F., G.,
Standards at H. H.
& Sheats at C. C.
& Slides at I. I. all
framed together as
one Unit. Hoppers, seed
boxes, spindles, & wheels
formed another Unit free
to move up & down on slides &
Standards if going was rough.

TULL'S SEED DRILL

From Quennell's History of Everyday Things in England. (Batsford.)

corn, by 1780 this export has completely stopped: the price of corn is rising, and wheat-growing is profitable. Investment in land begins to pay; the prestige of being a 'country gentleman' is steadily growing, and many merchants, retired officers and other people of means are purchasing estates.

This was done by the buying out of small owners, or the evacuation of small tenants, whenever the opportunity arose. 'A steward,' says Laurence in his 'Duty of a Steward to his Lord' in 1727, 'should not forget to make the best enquiry into the disposition of any of the freeholders within or near any of his lord's manors to sell their lands, that he may use his best endeavours to purchase them at as reasonable a price as may be. . . . I would advise all noblemen and gentlemen whose tenants hold land by copy of Court Roll for three lives not to let them renew . . . a steward should endeavour to lay all the small farms let to poor indigent people to the great ones.'

ENCLOSURES.—Both for the new scientific farming and for the building up of large estates, enclosure was necessary, but this enclosing is very different from what used to go by that name. In the sixteenth and seventeenth centuries, protests against enclosures had been made on the ground that they (turned land from arable to pasture and drove thousands away from the land into various forms of destitution) This was the perpetual grievance which, in spite of occasional Commissions of Enquiry, the authorities had steadily ignored. 'The conversion of arable into pasture, the continuance of pasture under the name of depopulation, have driven many millions out of the subjects' purses without any considerable profit to His Majesty,' said the Grand Remonstrance in 1641. 'Can the plough go where there are no men to hold?' asked a pamphlet, the 'Parliament Scout,' in 1643. A little while before, 'disorderly persons' had pulled down fences, saying 'that so often as the said enclosure shall be repaired, they will do the like, and turn in their cattle as they were wont to do before the said improvement'; and a few years later the Levellers were to declare, through the mouth of Winstanley, that 'England could not be a free commonwealth until all the poor commoners shall have free use of and access to the land.'¹ But by the time of the Restoration the situation was slowly changing; the great rush of transformation from arable to pasture was over; the demand for wool, though still constant, was steadier; the expansion of industry made it easier to absorb superfluous labour, and the conviction was growing that ultimately the best interests of agriculture might be met by giving landlords a free hand.

¹ Quoted by James, *Social Policy at the time of the Puritan Revolution*, pp. 35, 91.

'It is an undeniable maxim,' declared the landlords through the mouth of Mr. Lee, 'that every one by the light of nature and reason will do that which makes for his greatest advantage. The advancement of private persons will be the advantage of the public.'¹ By the Act of 1660, which converted into free and common tenure all tenures other than copyholds, all remnants of feudal tenure were removed, freeing the landlords from the last vestiges of public duties in return for land ownership. As soon as new agricultural conditions made enclosing a practical economic necessity, it began to be carried out on a large scale, with the steady support of governments in which the interests of the big landed proprietors always predominated. It was done almost invariably by a private Act of Parliament, 'for dividing, allotting and enclosing the open and common fields, meadows, pastures and common and waste lands in the parish of . . .' The total number of such Acts is difficult to compute, but can be put down at approximately 2200 between 1727 and 1801, in which year a general Enclosure Act made the process easier and cheaper.

CONSEQUENCES OF ENCLOSURE.—In some cases, enclosing simply meant the redividing of an open field area into a number of small farms between the farmer tenants or owners. But this was the exception: usually it meant the disappearance of the old village, as an 'association of agricultural partners, governed by local rules of cropping, in which all matters affecting agriculture were decided by custom.' Even when in theory the peasant received a small holding in exchange for his former share in the open fields, he was often unable to pay his share of the expenses of enclosing: legal dues, hedging, fencing, draining, ditching, making of new roads. These expenses were said to amount roughly to £21 an acre, with the pre-enclosure value of land at £25 an acre. A man without capital thus found himself obliged to disburse nearly as much as the capital value of his land; the fact that this value was rapidly to increase under the new system did not help: he had either to borrow on mortgage or actually sell his new property. It is perfectly true that, taking the land as a whole, enclosing made for much greater efficiency; but many writers quote figures to show that all the advantages of the new methods could, with a little careful planning, have been obtained without sacrificing the old system and its members.²

¹ *A Vindication of a regulated Enclosure* (1656).

² 'From the point of view of farming a change was needed. Had the engrossing landlords been inhibited, some other instrument of change must have been found. Small self-contained farms like many on the Continent might have been formed and intensive cultivation might have been practised on them. The communal life of villages might have been revived and developed so as to secure an effective control

'Had the gentlemen of England so chosen,' writes Dr. Slater, 'the agricultural evolution of the century could have been so controlled as to bring unexampled prosperity to the workers on the land. Actually it gave to those who had, and took away from those that had not even the little which they thought they had. . . . The changes which increased so greatly the incomes accruing to the owners of land created in our rural proletariat that section of our population which has enjoyed the smallest share of the benefits flowing from scientific mastery of the art of production.' Nor was this accidental: there was no intention of encouraging in any way the development of a class of peasant owners. 'The use of common land by labourers operates on the mind as a sort of independence,' says the Report on Shropshire of 1794; 'when the commons are enclosed, the labourers will work every day in the year, their children will be put out to labour early, and that subordination of the lower orders of Society, which in the present times is so much wanted, would be thereby considerably secured.' Cottagers who wished to work for themselves and not for others were described as 'incorrigibly idle,' and their dwellings as 'instead of schools for virtue, most fruitful seminaries of vice.'

The tragedy of eighteenth-century enclosing was not the unemployment and destitution of the old peasantry: as we said before, the substitution of pasture for arable land had slowed up, and, while many acres of land were undoubtedly turned over to pasture, much hitherto waste land, as much as two million acres, was reclaimed, so that the total population engaged in agriculture did not actually decrease. The real evil was the social and economic depression of the peasant class. Whether bought out, or evicted at the expiration of his lease, the outgoing farmer could choose between three courses: migrate to the town and find a job there, offer his services to one of the new waterside textile mills, if there was one sufficiently near, or remain on the land as a hired labourer. But in any case, his status as an independent worker was gone: he had joined the industrial or the agricultural proletariat. 'It is to the growth of a large rural population deprived of ownership or security of tenure of soil that we must look for the chief explanation of the proletariat

of the animals pastured collectively, or even beyond this, so as to allow of co-operative arable farming on a large scale. Failing all else, Young's remedy might have been tried: there might have been a general provision of adequate allotments to a peasantry which would still have enjoyed the sense of property and some sense of security and have a stable tie to the soil. These expedients might have been combined. After all, England has north, south, east and west of her countries which practise scientific agriculture and are not wholly given up, land, stock and buildings, to engrossing landlords and capitalist farmers' (Irvine, *The Making of Rural Europe*, pp. 144-45).

required for modern capitalism. This class, gradually loosened from its economic and legal settlement upon the soil, was drawn faster and faster into the new industrialism of factory, mine, city-shop, warehouse. There it fused with a town-bred, wage-earning population, representing the journeymen who had, from the fifteenth century, been excluded more and more persistently from guild organisations, and formed a town proletariat, which was later reinforced by small masters unable to hold their independence against the closing monopoly of guilds, and by skilled workmen from the continent, religious or political refugees, and migrations of unskilled labourers from Ireland.' ¹

The depression of a once free agricultural population is indicated by the formal repeal, in 1773, of the Act of 1589 by which every cottage to be erected must be surrounded by four acres of land. The law had no doubt been ignored for some time, but its disappearance opened the doors to the building of thousands of hovels, in which labourers lived as crowded as in any town slum, often at a long distance from the farm on which they worked.²

AGRICULTURAL CONDITIONS.—It is clear from all this that it is very difficult to make definite statements about the condition of the English peasantry at the end of the eighteenth century. Voltaire's description of a peasant wearing good shoes, decently clad, eating white bread, may have been true of the year 1750, but by 1790 it is hard to generalise. That the small farmer was prosperous is certain; prices of wheat, milk, meat were high enough to bring a good profit and not so high as to be outside the reach of most people. The condition of the labourers must have varied considerably.³ The possession of a cow, for instance, made

¹ Hobson, *Rise of Modern Capitalism*, p. 17.

² In his *Decline of the Small English Landowner*, Mr. Johnson gives the following statistics for the counties of Oxford and Gloucester. About 1650 there were some 700 owners of farms under a hundred acres, the average holding being about thirty. In 1782 the numbers had dropped to 300 and the amount of land they held had diminished by nearly three-quarters, the average holding being barely twenty acres.

³ 'All of you who are sixty years of age,' wrote Cobbett in 1831, 'can recollect that bread and meat and not wretched potatoes were the food of the labouring people. . . . You can recollect when the young people were able to provide money before they married to purchase a decent furniture for a house, when every sober and industrious labourer who was a married man had his Sunday coat and took his wife and children to Church all in decent apparel, when a young man was pointed at if he had not on Sunday a decent coat to his back, a good hat on his head, a clean shirt with a silk handkerchief round his neck, leather breeches without a spot, whole worsted stockings tied under the knee with a red garter, a pair of handsome Sunday shoes. . . . There were always exceptions, of course, some lazy, some drunken, some improvident young men, but I appeal to all of you who are sixty years of age whether this be not a true description of the state of the labourers of England when they were boys.' Contrast with this Eden's statement, in his *State of the Poor*, written

all the difference between a good supply of milk and butter and none at all ; for the prices fetched by milk and butter encouraged farmers to send dairy produce to the town, making it actually more expensive in the village than in the city. The same was true of flour, often of meat. With a good landlord, under adequate housing conditions, the labourer might be poor, but able to lead a decent life ; but living in a hovel under an absentee landlord, whose agent screwed every possible penny out of the tenants, he was the victim of a policy which, by 'depriving the labouring people of the expectation of possessing any property in the soil, must have the fatal consequence of extinguishing every generous principle in their minds.'¹ 'Thus,' says Tawney, 'by 1642 the expansion of the woollen industry has made it certain that England will be a considerable manufacturing nation, and consequently that the ancient stable routine of subsistence farming will gradually give place to agricultural methods which swing now towards pasture, now towards arable, according to the fluctuations of the market. It is certain that sooner or later the new and more profitable economy of enclosure will triumph. It is certain that the small holder will have a hard struggle to hold his own against the capitalist farmer. It is certain that owing to the substitution of variable for fixed prices on admission to copyholds, and the conversion of many copyholds into leases for years, a great part of the fruits of the economic progress will no longer be retained by the mass of the peasants, but will pass in the shape of increased payments for land into the pockets of the great landed proprietors.'²

§ 2. AGRICULTURE IN OTHER COUNTRIES

FRENCH AGRICULTURE.—Agricultural conditions under the *ancien régime* have, unfortunately, become a matter of almost political controversy. The champions of the Revolution wish to prove that the lot of the peasant was miserable, and almost akin to slavery, until he was delivered by a beneficent Revolution ; the defenders of the old order declare that the wretchedness of his lot has been grossly exaggerated ; that conditions were greatly improving ; that the number of peasant landowners was rapidly increasing. The fact seems to be that both accounts are true, but

in 1797, that 'there are many respectable persons who have never worn a bought pair of stockings, coat or waistcoat in their lives, and within these twenty years a coat bought at a shop was considered a mark of extravagance if the buyer was not possessed of an independent fortune.' The two statements may not be absolutely irreconcilable, but they give very different impressions.

¹ Davies, *The Case of Labourers in Husbandry* (1806).

² Tawney, *Agrarian Problem in the Sixteenth Century*, p. 403.

of different parts of the country ; and that, while the picture of misery may be generally overdrawn, the grievances of the peasantry, drawn up in the Cahiers for the States-General in 1788, seem to have been real enough.

Legal serfdom still existed in many districts, and included a large number of peasants : 300,000, says one authority ; over a million, says another. The latter figure is almost certainly exaggerated ; but it is certain that many thousands were still bound by ' the slavish dead-hand, thanks to which the serfs could neither bequeath their land, nor change at will their dwelling places, nor choose their occupation ' ; although they were sometimes theoretically free to abandon their holding, it was obvious that this right was entirely illusory—a peasant had no other means of subsistence : in fact, he ' was permitted to live at liberty provided he died of hunger.'¹

THE FRENCH PEASANTRY.—The vast majority of French peasants, however, were not serfs but held land under leases to which conditions of feudal tenure were attached, instead of, or in addition to, cash rents. There might be personal services which varied very considerably ; forced labour, usually the equivalent of fifteen days a year, watch and ward, compulsory use of lord's ovens and mills, with the prohibition of any hand mill on farms. The lord of the manor might keep exclusive hunting and fishing rights, levy tolls, administer justice, and exact various dues which might amount to a considerable proportion of the total produce. Such conditions were exasperating ; they caused frequent upheavals, and loom large in the Cahiers. But they did not amount to slavery or serfdom ; and in fertile districts in good years would be no final bar against a high level of prosperity. Further, they did not apply to all peasants : the number of farmer owners was undoubtedly growing. By 1760 these probably occupied not less than one-fourth of the land, possibly more.

The essential feature of French farms, both freehold and leasehold, was their extremely small size. The forces which in England had been building up large estates did not exist in France ; methods remained primitive ; wool was not in great demand : no capital was invested in land ; regulations and barriers of all kinds checked the production of food. There were thus no great incentives to the building up of big estates, and the smallness of holdings was the real cause of the widespread poverty of the French countryside : it was difficult in the best of times for the farmer to make more than a bare living out of his tiny

¹ Herbert, *The Fall of Feudalism in France*, pp. 5 and 6.

holding, and a bad harvest would mean starvation. Agricultural conditions were therefore bound to vary considerably from district to district and from year to year, which explains to some extent the very contradictory reports we get. In 1739 Lady Mary Wortley Montagu wrote that 'France was so much improved, it was not to be known to be the same country as twenty years before. . . . The roads are all mended. . . . The French are more changed than their roads; instead of pale yellow faces the villages are all filled with fresh-coloured peasants in good cloth and clean linen. The air of plenty and content that is over the whole country is incredible.' And yet it was about this time that Voltaire contrasted the lots of the English and of the French peasants, to the great advantage of the former; fifty years later Arthur Young was appalled at the misery of the French countryside, while Dr. Rigby thought 'the people looked extremely happy, there being so few people in rags, idleness and misery. The cottagers in England were certainly not so well off.' On the whole, it seems true to say that on the eve of the Revolution the condition of the French peasant was much better than in the sixteenth century; extremely miserable as a result of constant disastrous civil and foreign wars until the beginning of the eighteenth century, it was now improving and causing him to feel with more vexation the burden of feudal restraints that still troubled him.¹

THE LAND SYSTEM.—What this was in actual practice can best be understood by a brief survey of conditions in a definite area. A recent article by a Russian scholar² gives us such a description for the Paris region, excluding of course Paris and its suburbs. The area comprises 438 parishes, and although the proximity of such important towns as Paris and Versailles may introduce some special factors, yet in the main what is true of that region is true of many other regions. As regards ownership, all the land is the legal property of feudal overlords, to whom certain dues in kind and in services have to be paid. More than half of these overlords belong to the higher aristocracy, even to the royal family; about a third are wealthy business men or high officials, about a tenth are clergy. The tenants vary in their social

¹ Kovalevsky, in his *France économique et sociale à la veille de la Révolution*, denies that any considerable number of peasants had real ownership of land; they were practically all tenants or hereditary farmers. In the main, 'the French peasant in 1789 was not more developed than the Russian peasant in 1904,' and the crisis of the Revolution was largely due to the impossibility of conciliating the demands of the new order with the methods of exploitation of patrimonial lands, suited to serfdom and landlord rights, still in vigour in the greater part of the country.

² 'Régime agraire et populations agricoles aux environs de Paris à la veille de la Révolution,' par I. Loutchisky (*Revue d'histoire moderne*, Avril 1934).

standing ; just over half are merchants or bourgeois from Paris who hold a farm as a holiday resort or as an investment ; about a tenth are clergy ; over a third are nobles. But whatever their social standing, they (all owe exactly the same feudal dues and services, vexatious or otherwise, to the overlord) To come to the peasantry proper, we find that in only 1.1 per cent. of the parishes did the peasantry hold directly a large proportion of the land ; in the vast majority of cases the peasant is not a direct tenant, much less an owner. This comes out in the statistics of the population. Out of 34,091 inhabitants of the area, of whom over 20,000 are directly connected with agriculture, nearly 8000, or 23.3 per cent., are described as 'indigents' or destitute ; and 20,000, or 58.4 per cent., are daily labourers, whether on the land or in other occupations, and 3500 are artisans ; so that over 90 per cent. of the population were either destitute or dependent on a daily or weekly wage. These figures are probably exceptional ; in other parts of France would be found a much greater proportion of peasants as direct holders or even owners of land ; in many districts a farmer would hold a piece of land so small that its upkeep would not suffice either to fill up his time or to produce enough food for his family ; he would therefore hire his services as a labourer to a wealthier neighbour. But the examples given are enough to show how (very confused and antiquated was the French land system, and how natural was the great movement of land-liberation) which the next few years were to usher in.

DEPRESSION OF THE PEASANTRY.—Turning from France to other countries, we can summarise general agricultural conditions by saying that (serfdom under various forms prevailed almost everywhere) Prussia stands out, as she did in industry, by a policy of systematic development : draining of marshes, introduction of new plants, reduction of taxation, help given to farmers, agricultural credit banks. But, although a number of royal edicts endeavoured to rid the system of its worst features, the peasant remains tied to the land, and the landlord is the one to reap the benefits of agricultural progress. Much the same is true of Spain, where a brief revival of agricultural prosperity marked the reign of Charles III (1759-88) ; the deserted lands of the Sierra Morena were re-peopled by immigrants from Switzerland, Bavaria and Flanders ; new processes of cultivation were introduced, agricultural credit banks founded. But all this activity was superficial and did not raise the level of the Spanish peasant. In Austria, Joseph II put limits to the powers of the lords over their dependants and did much to improve rural

conditions ; but Italy, the Balkans, Poland, Russia remain lands of great peasant poverty, with primitive methods of agriculture and a general social system which had not appreciably changed since the Middle Ages ; in fact, according to one expert, 'in all the Central European countries the peasants lost ground in the seventeenth and eighteenth centuries and had to lower the standard of freedom which they had been able to maintain in the late Middle Ages.'¹

BETTER CONDITIONS IN SWITZERLAND AND SCANDINAVIA.—To this somewhat depressing description two exceptions must be made, the Swiss and the Scandinavian peasant. The Swiss cantons had already become small rural democracies ; apart from a limited number of great pasture farms employing hired labour, the mass of the land was either collectively owned and farmed, or was worked by farmer-owners. The country was not rich, however, and there was a landless class which formed, with the poor of the town, a semi-urban, semi-rural proletariat, among whom were recruited most of the numerous Swiss mercenaries that were to be found in most of the European armies of the time. But in the main Switzerland had largely solved her land problem. The Scandinavian countries were also becoming peasant democracies, socially if not politically. In Sweden the open field system still prevailed but freed from feudal control, and legislation was resorted to to redive these strips into compact farms, by a form of enclosure policy deliberately carried out for the benefit of the small farmer. In Norway the building up of large estates was checked by a law of 1685 which doubled taxation levied on landlords who owned more than one farm. By the end of the eighteenth century the peasant owner was in possession of nearly all the land. In Denmark, as in Sweden, a number of laws broke up the open field system in favour of the small holder, so as to guarantee to all enough land to keep a cow and some pigs. The example of Scandinavia shows decisively that the enclosure system need not have resulted in the destruction of the yeoman class.

IV. CONCLUSION

PROBLEMS OF PERIODS OF CHANGE.—The difficulty of the student when studying a period of swift and deep changes is to

¹ Irvine, *The Making of Rural Europe*, p. 83. 'For a long time it used to be believed that the passion of seventeenth-century landscape painters for introducing ruins with hovels nestling round them arose from a feeling for romance. This is not so—they only painted what they saw around them after the ravages of the Thirty Years' War' (Rathenau, *The New Society*, p. 61).

avoid two contrary dangers. One is to exaggerate the (swiftness of the change) and especially to forget that he knows, as it were, 'how the story ends,' and where all next changes were leading to, whereas contemporaries were only very partly conscious of the significance of what was happening around them. He must try to work himself back to those days and realise how few people had any idea of what was 'round the corner.' Most people, in fact, did not think of any 'corner' at all, and visualised the future either as a steady march forward to some undefined 'progress,' or as a mere continuation of present conditions. 'What we call "policy,"' says Unwin, 'is more often an illusion of the scholarly mind than a fact of history. Policy as actually found in history is a set of devices into which a government finally drifts, under the pressure of practical problems, and which gradually acquire the conscious uniformity of a type, and at last begin to defend themselves as such.'

The student's other danger is, by keeping too much to the surface of events, to be blind to the deep forces of transformation perpetually at work, both in the realm of ideas and in that of material conditions—a blindness which gets, as it were, transferred from the past to the present and makes the student unable to understand the meaning of events in his own day.

WHEN DID THE INDUSTRIAL REVOLUTION 'BEGIN'?—Let us make this argument clearer by a concrete illustration. 'By 1789,' says Professor Mowat, 'the Industrial Revolution was only just beginning. England was still deeply rural, a land of peaceful villages, quiet streams, wide meadows and woodland.'¹ Many changes had taken place, it is true, but Knight reminds us that while 'such inventions as the steam engine, the puddling process, the rolling-mill and the power-driven spinning machinery appeal to the imagination, and their long-time effects were tremendous, yet they did not immediately transform even their own industries. Mechanical spinning was by no means triumphant by 1815, even in England. In the whole textile industry the putting out system still produced most of the cloth. . . . Furnaces of the newer types had been multiplied, but England was still dotted with the shops of small artisans, makers of hardware, tools, etc.' Transport

¹ How powerful the agricultural interest still remained is shown by interesting statistics, made up by Arthur Young about 1770. He calculates that whereas the agricultural population was about four-fifths of the whole, the landed classes received more than half the total income of the country. His figures probably need correcting, but even then they are significant. They are as follows: Population: agriculture 3.6 million, manufacturing 3, commerce 0.7, military and official 0.5, paupers 0.5, professional 0.2 million. Income: agriculture £66 million, manufacturing £37, commerce £10, professional £5, military and official £5, income from State funds £5, paupers £1.5 million.

was still by coach and sailing boat ; news could only spread as fast as a horse could gallop. So much for material conditions. Politically and socially, class barriers were still erect, government was in the hands of small privileged groups ; the majority of the people were illiterate and absolutely without power or influence ; no laws protected the labourer against his master, or women and children against exploitation ; there were no philanthropic societies, no system of insurances, little if any poor relief. Religious freedom was still limited in practically every country ; and masses of prejudice, stupidity and ignorance could be marshalled against any suggestion of a new idea or of a new institution. 'Modern England' seemed a long way off.

So much for one side of the picture. Let us turn to the other. In his 'Making of Modern England,' Dr. Slater points out that this 'modern England' really came into existence in the year 1707. 'To that year is assigned approximately Newcomen's invention of the steam engine. In 1707 also the union of the English and Scottish Parliaments took place, making England a unitary state. . . . In the same year the death of Aurangzebe, the last of the emperors of the Mogul line, let loose chaos in India, and by compelling the East India Company to rely on its own troops and forts for the defence of its trade brought about the foundation of its empire.' In 1707 Darby took out his first smelting patent. Finally, in that same year 1707, the publication of Isaac Watts' hymns 'made hymn singing a fervid devotional force. . . . Watts was to Wesley what Newcomen was to James Watt. He was the pioncer of Evangelicalism, and as the steam engine transformed for British workers their material environment, the Evangelicalism of the eighteenth century profoundly influenced their emotional reaction to the changed conditions under which they lived and worked.' Thus, while in one sense the chief features of modern England were only just visible in 1789, yet nearly a hundred years earlier events had taken place which made the birth of that modern England a certainty. 'It is an equal error,' remarks M. Mantoux, 'to undervalue the preliminaries or to take them for what they only foreshadowed.'

The year chosen for the survey just concluded illustrates with particular clearness the distinction between the external and concrete economic and social transformations and the spirit of which they were the manifestations. Looked upon as a series of 'inventions and use of processes which made it possible to speed up and constantly to increase production'—Mantoux's definition—the Industrial Revolution had barely begun by 1789. Looked upon as 'the substitution of competition for the mediaeval regulations which had previously controlled the production and

distribution of wealth'—Toynbee's definition—the Industrial Revolution had been in full swing for many years before 1789, and it is difficult to indicate any time when it 'began.'

GROWTH OF ECONOMIC RATIONALISM.—The triumph of competition in economic life is really but one manifestation of the triumph of new ways of thought, of the twin forces of what we commonly term Rationalism and Individualism. 'Among the causes of capitalism,' says Unwin, 'the influx of precious metals, the increase in population, wars, the growth of luxury, are all secondary factors. In the last resort, the factor which produced capitalism is the rational permanent enterprise, rational accounting, rational technology, and rational law, caused by the rationalisation of the conduct of life, and a rationalistic economic ethic.'

'Rationalism' is a refusal to test conduct by relation to tradition, to religion, to custom, to any abstract principle; applied to economic life it means (testing all things by the sole standard of what appears to be the immediate aim of all economic activity, namely, production for ultimate profit) Instead of endeavouring to make a unity of all life as the mediaevalists did, with varying success, it breaks it up into a number of separate divisions. 'It is in the conception of the place to be assigned to economic interests in the life of society that change in the recent centuries has been most comprehensive in its scope, and most sensational in its consequences,' says Tawney. 'The isolation of economic aims as a specialised object of concentrated and systematic effort, the erection of economic criteria into an independent and authoritative standard of social expediency, are phenomena which, though familiar enough in social antiquity, appear, at least on a grand scale, only at a comparatively recent date in the history of later civilisations. . . . The conflict between religion and those natural economic ambitions, which the thought of an earlier age had regarded with suspicion, is suspended by a truce which divides the life of mankind between them. The former takes as its province the (individual soul, the latter the intercourse of man with his fellows in the activities of business and the affairs of society) Provided that each keeps to its territory, peace is assured. They cannot collide, for they can never meet.' The spirit of rationalism will thus remove these barriers which prevent the individual from pursuing an interest of which he ultimately is the best judge; it will suppress all the various groups, guilds, corporations, etc., which stood between him and his self-expression, the rigid classes from which he could not escape, the restrictions that would keep him confined within a town, a country, a profession. The Tudor-Stuart conception

of society as 'ordered and graded, in which each class fulfilled its allotted function and was secured such a livelihood and no more as was proportioned to its status,' has completely disappeared, and instead 'the standard of value for ethical functions becomes the satisfaction of individual impulses, and all institutions are judged by that test.'¹

LAISSEZ-FAIRE.—How complete was the revolution in ideas can be seen by looking briefly at the systems of thought which were going to shape economic policy in the years immediately following, namely, the *laissez-faire* theories expounded by the French Physiocrats and by Adam Smith in his 'Wealth of Nations.' The leader of the Physiocratic school was Quesnay, who wrote between 1756 and 1768, and died in 1774. His great principle is that all wealth is ultimately derived from land and agriculture. Money is of no special value: consequently mercantilism and protectionism are false policies; trade should be given complete freedom to export or import as it pleases; the less it is interfered with, the more profitable it will ultimately be, both for the individual and for the community. The significant point is the belief in the beneficence of 'Nature,' and in obedience to 'natural law' in preference to the dictates of religion or ethics.

Adam Smith, whose great work appeared in 1776, both corrected and amplified Physiocratic principles. Expediency is the only consideration in economic policy. Personal interests, if allowed full scope, will prove to be the interest of society; therefore all barriers on exchanges, commerce, contracts must be removed; the beneficent forces of Nature will bring about a right balance between the various forms of economic activity and ensure right relations between the various economic classes.²

¹ Forrest, *Development of Western Civilisation*, p. 314.

² This description of the apparent easy optimism of eighteenth-century philosophy must not make us overlook the fact that some of these thinkers, in the middle of their cheerful confession of faith in a beneficent Nature, occasionally realised how precarious was a large part of their boasted civilisation. Few events have been, in one sense, more 'expected' than the French Revolution, however sudden was its actual outbreak; the only question in the minds of competent observers was which of the states of Europe would be the first to crash. 'If ever Prussia has a foolish king, that giant will crash down as did Sweden,' remarks Mirabeau in 1788; 'she is a house built on sand,' wrote Catherine of Russia in 1791. In Austria, according to the Empress herself, 'no civil or political ties were holding out any more; men and provinces were in decay.' England, according to Mallet du Pan, was 'burdened with taxes, torn asunder with party strife, rotten with lust of gold, threatened with inevitable ruin.' Rousseau summed up those dark forebodings when he wrote in 1772 that 'he saw all the states of Europe rushing headlong to ruin: monarchies, republics, all those splendidly erected nations, all those wisely balanced governments, are falling into decay and are threatened by a forthcoming death'; and another observer, Linguet, thought, in 1779, that 'one saw in every direction the effervescence that precedes great crises of every kind' (quoted by Sorel, *L'Europe et la Révolution française*, vol. i, p. 92).

FORTHCOMING REVOLUTION.—The state of Europe on the eve of the Revolution was thus economically one in which differences of economic development between various countries were still more marked than at the end of our preceding period. The advance then gained by Spain over her competitors was not in any way as marked as that achieved by England by 1788. In industry and in commerce, in financial power as well as in political organisation England stands now entirely in a class by herself; and the best proof of the uniqueness of her position is the capacity she was soon to show for withstanding the shock of the Revolutionary storm. We have already quoted Mallet du Pan's pessimistic description of England as 'torn asunder by party strife, rotten with lust of gold, threatened with inevitable ruin'; but events were to show the superficiality of this judgment: England, on the contrary, was to be the one power in Europe whom Napoleon failed to defeat; her financial resources were to prove equal to acting as money-lender to her allies through twenty-five years of war; her economic structure, in spite of its defects, was to enable her to resist the attempts made by the Continental System to ruin her trade and reduce her to bankruptcy. All this she owed partly to her insular position and its resulting political and social stability, partly to her good fortune in natural economic resources, and partly to the more intelligent policy of her governing classes.

CHAPTER VI

THE AGE OF COAL AND IRON

§ 1. THE CONTRAST BETWEEN 1788 AND 1870

WE have used on two former occasions the fiction of a citizen of the Roman Empire revisiting some centuries later the scene of his former labours. Let us do this once more, and imagine one Marcus Publius, once a citizen of Lugdunum, standing on the Place des Terreaux in the city of Lyons about 1788, at the period of our last survey. He will, of course, notice a large increase in the size of everything. The town is bigger; its population is larger; the amount of goods available is infinitely greater and more varied. Talks with people around him soon reveal the existence of a wider world than his, which includes an obviously very big area often alluded to as America, just then fighting for its independence from people whom he remembered as Britons. The silk cloth, for which Lyons is famous, is being produced in much larger quantities owing to ingenious mechanisms that no one had thought of in Roman days. Gazettes and books would attract his admiration; the disappearance of slavery would surprise him, for he would never have thought that the work of this world could get on without a slave class.

In spite of those differences, however, he would soon realise that he was still living in a world whose essential features were not really unfamiliar. The rhythm of human life, the essential characteristics of what was then Gaul and was now France, seem to have remained much the same. The vast majority of the people in the Lyons area are obviously still engaged either in agriculture or in small handicrafts carried on at home. Travelling to Rome still means days in a coach or on horseback over the St. Bernard passes and down through Italy, or a few days' travel to Marseilles and a week or more across the Mediterranean to Ostia in a sailing ship which only differs from a Roman ship in size and comfort. Paris, London, Constantinople, Baghdad, Alexandria, are still about the same distance away in time and cost. News from abroad does not come appreciably faster.

Formal slavery may indeed be gone, but the work of the world is still only done because masses of people have to toil as long and as hard as any slaves, although their bodies are legally their own. And as far as political and civil rights are concerned, the citizens of Roman Lugdunum were certainly better off than the Lyonnais subjects of King Louis XVI of France.

Imagine now the same Marcus Publius, in the year 1870, standing on the Croix-Rousse hill which dominates Lyons. The most superficial gaze on the town lying at his feet will reveal a mass of tall thin shapes which he would recognise as chimneys, from which would belch forth a mass of smoke such as he had never seen except in conflagrations; he would notice that these chimneys arose from huge square buildings, dirty grey in colour, devoid of all beauty of form, into which in the morning, and from which in the evening, hundreds of men and women would be pouring like a flood; these, he would be told, are 'textile factories.' He would discern at the foot of the hills long parallel lines along which at intervals chain-like convoys of boxes would rush by at a speed undreamt of in his days, and he would be told that these were 'railway trains,' and that he could be taken to Paris in some ten hours, to Marseilles in five or six, to Rome even in less than twenty-four. Inquiring further, he would be told that the same machine which drove trains at some forty miles an hour would drive ships at a speed which, though slower, was yet faster than the fastest sailing vessel of his day, and, further, enabled a ship to travel against the wind practically as easily as with it, so that a journey in any direction could now be timed with absolute accuracy, and Alexandria be reached in a week, India in three weeks, America in ten days, with the time of arrival known to a day, almost to an hour. When he had digested this really dazzling piece of information, he would be offered a newspaper and he would read of events that had happened all over the world as recently as yesterday; and his astounded mind would have to take in all about the wonders of the electric telegraph.

Dropping the fiction, we can draw its moral, namely, that the changes which occur between 1788 and 1872¹ mark a great acceleration of the processes of economic transformation; we may truly say that these eighty years changed the face of the world more profoundly not only than any previous century, but

¹ We have selected the year 1872 as marking the peak point of English prosperity, the last year before a period of depression and readjustment; 1871 marked also the end of a distinct period in French and German history, and a number of useful statistics take one of those two years as their basis. But later figures will occasionally be quoted when they represent the completion of a process already in operation in 1872.

than the whole span of centuries which separated 1788 from the heyday of Roman Imperial civilisation. And the cause of this swift revolution in material life is the widespread use of coal and iron.

§ 2. THE REVOLUTION IN INDUSTRY

THE STEAM ENGINE AND ENGLISH INDUSTRY.—When the curtain dropped on our last scene, the steam engine had been actually invented, and was being employed in mines, and in a few factories for working looms. It was being used in textiles in order to help to meet the ever-increasing demand of an ever-expanding market for all kinds of cloth. Even before steam was thought of, the output of cloth by hand or water-power looms had enormously increased; but the figures of eighteenth-century development are nothing compared to those for the nineteenth. In 1813 the English cotton industry had 2000 power looms; in 1820, 14,000; in 1835, 115,000; in 1856, 275,000, of which 90 per cent. were worked by steam. The result of all this was, of course, an enormous increase in output, together with a decrease in costs of production. In 1813, when power looms still depended mainly on water, England imported 51 million pounds of raw cotton, and the cost of manufacturing 18 ounces of yarn was eighteenpence; in 1830, 261 million pounds were imported, and the cost of manufacturing 18 ounces was eightpence; but in 1841, while imports had risen to 489 million pounds, costs had not appreciably changed. And even when, about 1850, the amount imported had reached one million pounds, the cost of production was still about sevenpence for an 18-ounce reel. The enormous expansion in output was only made possible by the increase of raw cotton production in Egypt and in the United States.¹ Similarly, the woollen industry, which in 1850 only imported 74 million pounds of wool, was able to expand when Australian wool began to be available in practically unlimited quantities.

As more machines were needed, so also were more coal and metals. The production of coal was estimated in 1854 (the first official estimate) at 64½ million tons; by 1874 it had doubled, thanks to the use of better engines and recourse to deeper pits. (It is worth noting, by the way, that 'by a curious anomaly the industry which played the premier rôle in the inauguration of those changes by which modern production has been mechanised has itself resisted strenuously conquest by machine, and has

¹ The export of cotton from the United States increased from 6 million pounds in 1795 to 40 million pounds in 1803, 120 in 1820 and 300 in 1832, of which last total 220 million pounds went to Great Britain (Hammond, p. 184).

remained to an amazing extent the simple handicraft which gave birth to the coal industry. Coal mining, throughout its history, has been in the main a pick and shovel proposition.'¹

The production of iron, which was some 68,000 tons in 1788, had increased tenfold by 1830, was nearly 3 million tons in 1833, and 15 million tons by 1880. Even this was not enough to meet the demand for iron goods, and imports of iron ore amounted to 2½ million tons in that last year. But the real force in the expansion of British and, indeed, of world metal production was the discovery made in 1856 by Henry Bessemer of Sheffield, by which steel could be manufactured in such quantities and at such



EARLY COAL MINING

From *Historian's Scrapbook*, edited by R. S. Lambert.
(British Institute of Adult Education.)

a low price that it could be used instead of iron wherever preferable. Nor must we forget that the invention of machine tools, by which parts for machines can be reproduced in unlimited quantities with perfect accuracy by comparatively unskilled labour, was in its way no less epoch-making than that of the Bessemer processes.

The characteristic of this enormous output is, of course, large-scale production, concentrated in a few basic industries for which the market is, or at least seems to be, practically unlimited. In 1850 the average factory comprised some 10,000 spindles and 150 looms; in 1885 these figures had increased by 50 per cent., and many mills carried over a hundred thousand spindles and

¹ J. W. Stocking, quoted by Fay, *Great Britain from Adam Smith to the Present Day*, p. 264. Whereas in America, in 1904, about one-quarter of the coal was undercut by machinery, only one-sixtieth was thus worked in England. In 1924 the relative figures were two-thirds and one-fifth.

many hundreds of looms. Thousands of factories numbered thousands of operatives each. At the same time, it must be remembered, as we have often emphasised in these pages, that the new order never wholly superseded the old. Small businesses did not disappear :¹ water-power and hand looms remained for many years after the introduction of steam ; as late as 1847 whole fields of teazle in flower were still to be seen near Leeds, ' nothing like teazles having yet been found for raising the nap of the finer broadcloth.' But these survivals play a steadily decreasing part in economic life, both in their total output and in their general influence over industrial conditions, at least in Great Britain. For it will be noted that the statistics quoted are all British ; at the time we have reached, Great Britain has not yet lost that industrial supremacy she had obtained in the previous century. Her possible rivals are a long way behind and still few in number.

FRENCH INDUSTRIAL DEVELOPMENT.—France had, of course, been badly hit by the twenty-five years of Revolutionary and Napoleonic wars. Napoleon's ' Continental System,' based on the crudest mercantilism, had made no effort to deprive England of the raw materials she needed for her industries, since she had to ' pay ' for them ; English manufactures were still coming in—they only cost more, since they had to be smuggled. On the other hand, this extreme protectionism levied high duties on the raw materials France needed for industrial production, thus crippling her own manufactures. Then the Peace of Vienna deprived her of most of her colonies, leaving her industrially and commercially crippled. ' Thus,' says Professor Séc, ' far from bringing about deep economic changes, the Revolutionary troubles retarded on the contrary the commercial, industrial and capitalist evolution which was appearing at the end of the Ancien Régime, so that until 1840 it seems as if economic life were still in many ways of the same kind as that of the Ancien Régime. It is true that the legal changes made by the Revolution had economic results, but these were much delayed.' It was some years, therefore, before France was able to enter the world of industrial competition ; this, however, does not mean to say she was unprosperous, for she could easily feed herself, export food supplies even, and other raw materials, and purchase abroad what she did not manufacture.

Thus, up to the middle of the century French industrial progress had been very slow. In 1847, during which year an elaborate survey was made, the number of steam engines in the country (railways excluded) was just over 5000 ; there were 31,000 power

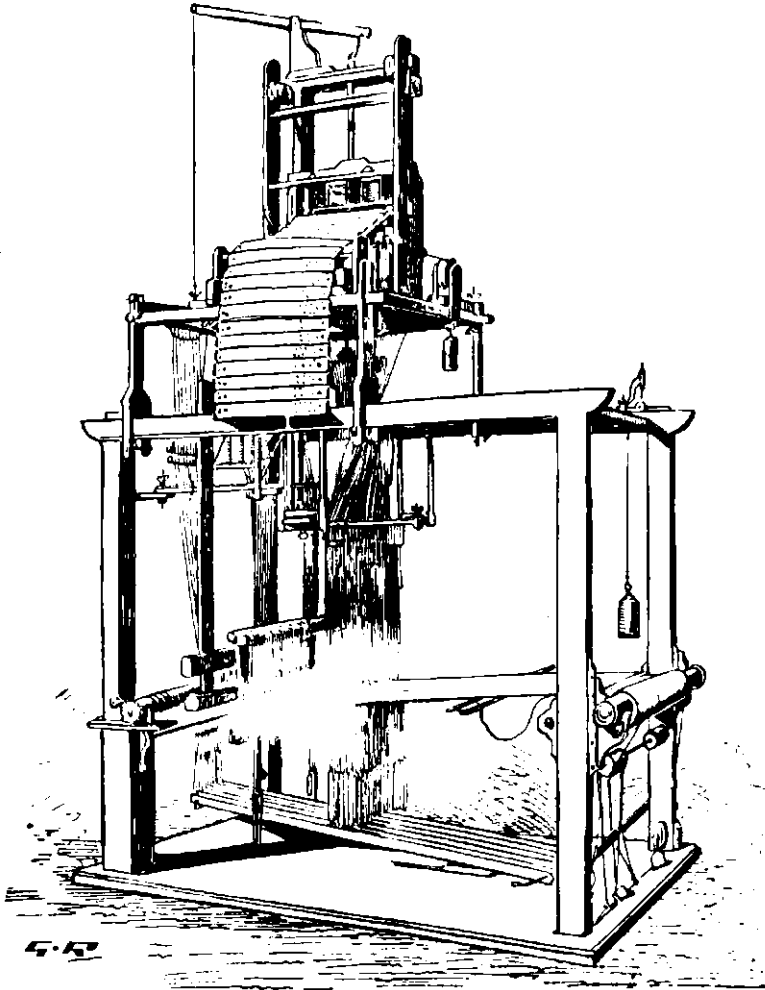
¹ London remains to this day the home of small businesses. More than one-half of London firms employ less than twenty workpeople.

looms and about 800,000 cotton spindles; the total coal production was 5 million tons (two-thirds of the total amount consumed); the iron output was just over half a million tons. Low as they were, these figures marked a distinct improvement on the beginning of the century; but if we move on another thirty years, to 1877, we find the coal output up to 21 million tons, with a total consumption of over 30 million tons; the output of iron is well over a million, that of steel nearly 4 million tons. The total number of steam engines is now 43,182, with a greatly increased average horse-power; the production of cotton yarn has increased from 9 million to 25 million yards. And all this in spite of the loss, in 1871, of the iron ore deposits of Lorraine and of the flourishing cotton industry of Alsace. France's silk industry, always one of her special 'lines,' revolutionised by the invention of Jacquard's loom in 1801 and by the introduction of the steam engine after 1860, was also booming. These figures are significantly smaller than those of England. France in 1870 is still a primarily agricultural country; her urban population is less than 30 per cent. of the total; the 'typical' Frenchman is still a peasant. And even in the industrial world itself the differences between the two countries are very marked. France remains a country of small-scale enterprise, of small factories, of domestic manufacture even. As late as 1870, more than half the 100,000 registered manufacturers of Paris worked either entirely alone or with but one employee.¹ The best French linens, and many delicate silk and fine woollen fabrics, are still to this day made on hand looms; and even where machinery is used the average factory is small. It would seem as though the French worked best in small units, although successful big undertakings are numerous enough to show this would not be a universally true statement. Generally speaking, the French went in for quality rather than quantity; concentrating on the constant, though small, market for very high-class goods of distinctive design, in which individual skill and taste are a bigger factor than cheapness of production. Thus, by 1870, French industry was expanding in a quiet but steady way; it had captured some limited but profitable markets, but France was in no sense a competitor with England on the markets of the world.

GERMAN INDUSTRIAL DEVELOPMENT.—German industry had been hitherto a completely negligible factor in European economic life, and amazing insight would have been needed to prophesy,

¹ In 1896 the average staff of France's 575,000 manufacturing establishments numbered only five and a half persons; in 1901 the total number of industrial employees was only 5 per cent. larger than the total of employers.

in the early nineteenth century, that by the end of the century Germany would have become a serious rival to Great Britain. The year 1867 was really the turning-point in her economic as in her political evolution. It is true that the Customs Union, on



JACQUARD LOOM

From Martin's *Histoire Economique et Financier de la France*.

which her economic unity was based, dated back to 1834; but the Zollverein could not be really effective until political unification had given a central direction to economic policy. When, in 1867, the North German Confederation was formed, this necessary central direction appeared.

Prussia not only provided political leadership but endeavoured to make her dependent states take as a pattern the economic policy she had adopted some years previously. In many ways the history of Germany is the history of Prussia 'writ large,' in economics as in politics. We saw in the last chapter how, under Frederick the Great, attempts had been made to bring her into line with her western neighbours, economically as well as politically. The Napoleonic wars created an enormous demand for cloth and caused some expansion of the textile industry, but this expansion could not last when the artificial war demand ceased and the lifting of the blockades reopened the doors to British goods; the ground gained was soon lost, and all the efforts of Stein and Hardenberg availed but little. Their one appreciable reform was the abolition of gild monopolies between 1808 and 1811; anyone might now enter upon any occupation. The gilds indeed retained their existence, and at times of unemployment clamoured for the restoration of the old restrictions, but they never succeeded, and by 1869 had disappeared entirely. Up to 1830, or even later, Prussia remained economically stagnant, or nearly so. Agriculture was the main occupation, with a few domestic handicrafts. The country was poor; there was no banking or credit system; hunger and misery were widespread, and political confusion only made things worse.

Then, after 1850, the tide began very slowly to turn. Largely under the impulse of the government, which established in 1821 the Trades Institute, machines from England began to be introduced. 'I found in Berlin,' writes a witness before the Royal Commission on the Extent of Machinery in 1841, 'the most enterprising and systematic exertions made on the part of the government to obtain a command of the manufacture of machinery. I found no expense spared for the purpose, and the exertions quite astonished me.' Natural resources of coal and iron began to be systematically exploited; the foundations of a railway system began to be laid, and results soon appeared. Whereas between 1816 and 1846 the urban population only increased by $1\frac{1}{2}$ per cent., after 1846 the rate of progression became 1 per cent. every five years. In 1840 Belgium had turned out more iron than the whole Zollverein; in 1851 the consumption of iron per head of population had been 10.6 kilos (as against 85 in Great Britain): it was 18.6 in 1860, 38.3 in 1870. In 1846 the total consumption of cotton in Prussia was 18½ million pounds: it was close on 100 million in 1861, and by 1870, with 116 million pounds, Germany was beginning to rival England. Further, instead of importing the cotton yarn for cloth-weaving, Germany was manufacturing most of her own yarn from the raw

cotton. (A handicap remained, however, in the fact that over two-thirds of the cotton industry was still in the hands of domestic workers.) Meanwhile, the production of coal had increased from 3 million tons in 1846 to 18½ million tons in 1867, and nearly 30 million tons in 1871. But while the speed of German development was startling, it did not, as yet, threaten serious competition to Great Britain, whose general supremacy over world markets remained unquestioned. As to the other countries of Europe, while their industrial production was increasing, and had passed on to a great extent from the domestic to the small factory stage, they were still far from being industrialised in any full sense of the term.

§ 3. CONDITION OF INDUSTRIAL WORKERS

PROBLEMS OF WORKING-CLASS LIFE.—The history of industrial conditions in the nineteenth century does not make pleasant reading. Actually, workers were undoubtedly better off in 1870 than in 1780, but the net improvement in their material circumstances was slight, if we consider it in relation to the enormous expansion of wealth and the general rise in standards of life. (The improvements in their legal position will be discussed later.) Nor was the rise of progress uniform: with few exceptions, the conditions of life of industrial workers tended steadily to deteriorate until about the middle of the century; such advance as was made dated mainly from the third quarter, opening the way for the further advance of the next fifty years, which will be dealt with in our next chapter. Spencer Walpole, a sober and conservative historian, believed that between 1800 and 1830 the labouring classes 'were perpetually becoming more and more impoverished,' and that by 1830 their condition was 'growing more and more intolerable'; but he goes on to say that this was 'as nothing compared with the protracted wretchedness which commenced in 1837 and continued in 1842,' concluding that in his 'deliberate opinion the wave of misery in Britain reached its summit in the course of that year.' Professor Clapham considers this to be 'a legend that dies hard,' and that statistics go the other way. Mr. Peel agrees with the view expressed by Professor Mowat, in his 'England in the Eighteenth Century,' that 'much of the social ill often ascribed to the Industrial Revolution was really caused by the great wars,' when rising prices destroyed all the advantages caused by what was a rise in nominal wages. 'The progress of the Industrial Revolution was not so rapid but that very many of the labourers under the older system could have adapted themselves to the new. Nor was it the cause of poverty, for with a great output of low-priced goods and with the effective

demand of consumers strong, all workers should have been employed at wages really, if not nominally, good. Unemployment and the low purchasing power of wages, under-consumption and over-production were all chiefly due to one thing—war; and, we may add, the economic dislocation it leaves behind it. We have seen enough of the after-effects of war to have some idea of what these may be. What is probably true, in any case, is that although the condition of the factory employecs may have been at its worst earlier in the century, yet the spreading of the factory system must have made bad conditions more general as the years went on, until new forces came in to check the process; and that much of the misery was due to the hasty and haphazard growth of towns, which certainly attained its worst stage in the forties, after which some slight measure of interference with their 'natural' development began to be enforced.

THE STATE OF THE TOWNS.—It is certainly difficult to believe that earlier in the century conditions can have been much worse than they were when in 1840 a Commission was appointed to inquire into the conditions prevailing among hand-loom weavers. We get in its report a description of London as full of 'ruinous buildings, streets without sewers, overflowing privies and cess-pools, and open ditches filled with a black putrefying mass of corruption infecting the air for miles, which render the district the abode of disease and death. There are streets and alleys from which typhus fever is never absent all the year round.' In Manchester, one-tenth of the population lived in cellars; one small cellar, measuring four yards by five, contained two rooms and eight persons, sleeping four to a bed. In one parish in Dorset, thirty-six people dwelt on an average in each house. As to the poverty this implied, we are told that 'in Manchester [in 1842] 12,000 families were supported by charity; 2000 families were without a bed; 5492 houses were shut up, 116 mills or workshops idle, and it was calculated that there were 8666 persons whose weekly income did not exceed 1s. 2d. each. An immense rent in comparison to accommodation provided is paid to the company per week for these miserable places. There is neither drainage nor even light in the streets'; and the same Commission concluded that 'everything that would give the men foresight, prudence and discretion, which would teach them by teaching them to husband their means, would empower them in the strife, and give them a vantage ground whereon to make a stand, is discouraged by their masters. In order effectually to subjugate the men, and disarm them of the power to strike, which is the great dread of the employer, they seem to strive to keep the men

always at the end of their means, and their expenditures in advance of their income.' Nor were these conditions special to England. Although it is true that the countries which became industrialised more slowly avoided some of the worst evils of the system, descriptions abound of French and German towns, about 1830, which are certainly no better. The cellars of Lille and their miserable population, described in unforgettable verse by Victor Hugo,¹ are fully worthy of those of Manchester.

SANITATION AND DISEASE.—The sanitary conditions which resulted from this overcrowding and wretchedness can easily be guessed. Although it is true that already in the eighteenth century better hygiene and better feeding were causing a diminution of the death-rate, yet, even at its lowest, eighteenth-century mortality was high according to modern ideas; and the newly growing towns, built with no regard for health, proved at first centres of infection and disease. Epidemics of typhus, typhoid fever, smallpox and cholera were not rare, and endemic diseases like tuberculosis were rampant. 'After ten years' absence from England,' said a doctor in 1834, 'nothing struck me with more horror than the deterioration in the physical appearance of the people';² and a few years later the Commission on Education in Wales reported that 'The physical condition of the people seems almost as if contrived for the double purpose of their degradation and the employers' profit.' The faster the towns grew, the faster grew the death-rate: Glasgow in 1821 had a death-rate of 28 per thousand, in 1843 of 40; in the same town, between 1835 and 1840, no less than 62,000 cases of typhus appeared, in a total population of about 250,000. In 1831-32 cholera reached England via Russia and northern Europe, and carried off nearly 100,000 people in Great Britain; it then spread to France, and remained endemic in western Europe till 1837; fresh epidemics appeared in 1847 and 1853, then in milder form in 1865-66.

IMPROVEMENTS IN HEALTH AND HYGIENE.—The shock given to public opinion by the first onslaught of the disease helped the formation in 1839 of a 'Health of Towns Association,' whose propaganda was strengthened by the publication in 1842 of a Report of the Poor Law Commissioners 'on the sanitary conditions of the labouring classes'; but Parliament was difficult to move: Lord Normanby's Bill to prohibit the building of the airless and unhygienic 'back-to-back' houses, which are the

¹ 'Joyeuse Vie,' in *Les Châtiments*, Book III, No. 9.

² Fay, *Life and Labour in the Nineteenth Century*, p. 224.

disgrace of the industrial North, was thrown out, and legislation to that effect was only passed in 1909. In the main, house building remained unfettered for many years still ; everything was sacrificed to cheapness, and unfortunately, as Fay says 'in the short run, slums paid ; the vilest houses made the biggest profits.' To this day industrial Europe, England especially is burdened with thousands of square miles of ugly or unhygienic houses which need not have been either ugly or unhygienic ; some countries, in which industrial and urban development came later, were able to learn from these mistakes and to plan workmen's dwellings which do not offend the laws either of good taste or of good health.² But if housing remained unsatisfactory, public health certainly improved. The General Board of Health was created in 1848 and, by 1853, 182 local boards had been set up ; and although these proved to be only temporary, yet the policy they stood for was continued in various ways ; with the great expansion of medical science, especially of preventive medicine, a great increase in the number of hospitals and dispensaries, and better all-round hygiene, urban health began steadily to improve : smallpox, for instance, so prevalent in the eighteenth century, that people hesitated either to marry or to take as servants those who had not had the disease, was practically stamped out by 1870. Vaccination, discovered by Jenner in 1798, was made compulsory in 1853. The introduction of the antiseptic method by Lister in 1867 and the discoveries of Pasteur were ridding hospitals from the horrors of infectious fevers, and operations from the dangers of blood poisoning. A similarly marked progress could be seen in western and northern Europe ; but in southern and eastern Europe generally advance was much slower : to this day there is a marked contrast between the death-rate of these two main groups of countries.³

¹ How unsatisfactory housing conditions still are can be illustrated by the fact that in 1911 as much as 8 per cent. of the British population were living in overcrowded conditions. In some towns the percentage would be much higher.

² Notably Holland, Switzerland, Scandinavia, parts of Germany. Belgium and France are perhaps the only countries which have nothing to teach England as regards ugly industrial towns.

³ In 1870 Sweden, Norway, Denmark, Scotland and Ireland had a death-rate below 20 per thousand ; England, France, Belgium, Holland and Germany, below 26 ; Italy, Spain and Austria, above 30. In 1904 all the figures had decreased, the first three being below 16, the British Isles, Holland and Belgium 17, Germany and France 20, Italy 22, Austria 24, Spain 27. The improvement is most marked in England and Germany. How closely the death-rate was connected with material conditions of life is shown by the figures of mortality in Preston between 1837 and 1843. In the case of gentry, the average age at death was 47·39 ; 82 per cent. of the deaths were of people over five years of age. For tradesmen, the average age at death was 31·63, and 61 per cent. of deaths were of people over five. For textile operatives, the average age at death was 18·28 ; this low average being largely due to the fact that 55 per cent. of the total deaths were children under five.

CAUSES OF BAD CONDITIONS.—The appalling conditions to be found in the industrial towns of the early nineteenth century are often ascribed to callousness and brutality, but that is a short-sighted view. It is, of course, true that houses were built as cheaply as possible so as to keep profits at their maximum ; that wages were cut down for the same reason ; that attempts at betterment were strenuously resisted. But behind it all was undoubtedly a genuine suspicion of ‘ planning,’ of all that seemed an intervention with the economic ‘ laws ’ of supply and demand ; people sincerely believed that in the long run everything would be all right if you left it alone, because ultimately the seeking by each of his own interest would ensure the interest of all. ‘ The creed of the first age of the Industrial Revolution, that the needs of production must regulate the conditions of life, and that the incidence of profits must decide in what kind of town, of streets, of houses, a nation shall find its home, had cast its melancholy fatalism over the mind of the generations that followed.’¹ And it is difficult to deny that better housing would have cost money ; that less wealth would have been available for reinvestment in industry, that the cost of production would probably have increased ; that the demand for English goods would therefore have been less, and that a better housed, better fed England might very well have seen her general economic development moving at a slower rate. In the long run things would have been probably better so, but it is difficult to make any individual or class forfeit an immediate gain for an ultimate advantage : the bird in the hand has always seemed better than two or three in the bush. It is indeed a pity, as the Hammonds observe, that the Industrial Revolution did not first occur in a country with a strong sense of beauty, a strong habit of democratic conduct, and a keen tradition of corporate life. Many of the worst features of the present industrial system need never have appeared.

The root cause of these miserable conditions was undoubtedly the fact that industry, however fast it grew, was failing to absorb the ever-increasing mass of available labour.² Men flocked into the towns from the countryside, from Ireland ; undercutting of wages resulted ; the lower the wage, the more anxious was the worker to put every member of his family to work, and women and children flooded the labour market and brought wages still lower again. And so the vicious circle went round, and Shaftes-

¹ Hammond, *Rise of Modern Industry*, p. 227.

² Nor must we forget the fact that under the new conditions of specialised labour, industrial workers had no ‘ second string to their bow ’ in case of unemployment. They could turn neither to a secondary domestic occupation nor to tilling a bit of land (Cunningham, *Development of Western Civilisation*, ii. p. 230).

bury's bitter conclusion in 1842 was scarcely exaggerated when he said that 'Over a large surface of the Industrial Community, man has been regarded as an animal, and that, not an animal of a high order; his loftiest faculties, when not prostrate, are perverted, and his lowest exclusively devoted to the manufacture of wealth.' In order, however, to keep our sense of proportion straight we must remember that in 1842 industrial life was not universal: many workers were still in the country; and even the typical town worker was very far from being 'a person who performed for a self-made employer, in steaming air, with the aid of recently devised machinery, operations which would have made his grandfather agape.' In fact, the 'typical European' of 1870 is still a peasant, not a factory hand. And even for the industrial workers conditions steadily improved in the long run. But, as Mr. Beales remarks, while 'the broad view over a long period shows unmistakably improved standards of life for a larger population, it was a pity so large a proportion of the workers could not measure their lives in long periods.'¹

POOR RELIEF.—No picture of working-class conditions, however superficial, is complete without some reference to the changes in Poor Relief organisation witnessed during the last hundred years. In England the old Elizabethan Poor Law, made for an agricultural society, aimed at relieving the helpless and providing work for the able-bodied; and towards the end of the eighteenth century the distress created by the wars had caused a wide extension of relief, to the extent of supplementing wages out of the poor rate. This direct subsidising of employers by the Poor Law is referred to as the Spenceland system, from the name of the village where it was first adopted. The abuses of a system which demoralised both labourers and farmers, together with the growth of pauperism in the towns, necessitated a revision of the Poor Law and brought about the Act of 1834. This measure revised the administrative machinery of the Poor Law, created elected Boards of Guardians to administer relief, and laid it down as a fundamental principle that relief in the applicant's own home could only be given to the old and the sick; the able-bodied could only be relieved in the workhouse, the idea being that the dislike of that institution would deter all except the absolutely destitute and helpless from applying for help. If anything, the policy was too successful: the loathing of the workhouse, which broke up family life, caused many genuinely poor people to prefer virtual starvation to submitting to the 'Workhouse Test.' But, unsatisfactory as it was in many

ways, the Act of 1834 (which was to remain unrevised till the next century) did reassert the fundamental principle that no one should starve, even if his destitution was his own fault, and that relief from the Poor Law authorities was a right, not a charity. To this day anyone may sleep and eat in a workhouse without any question or inquiry.

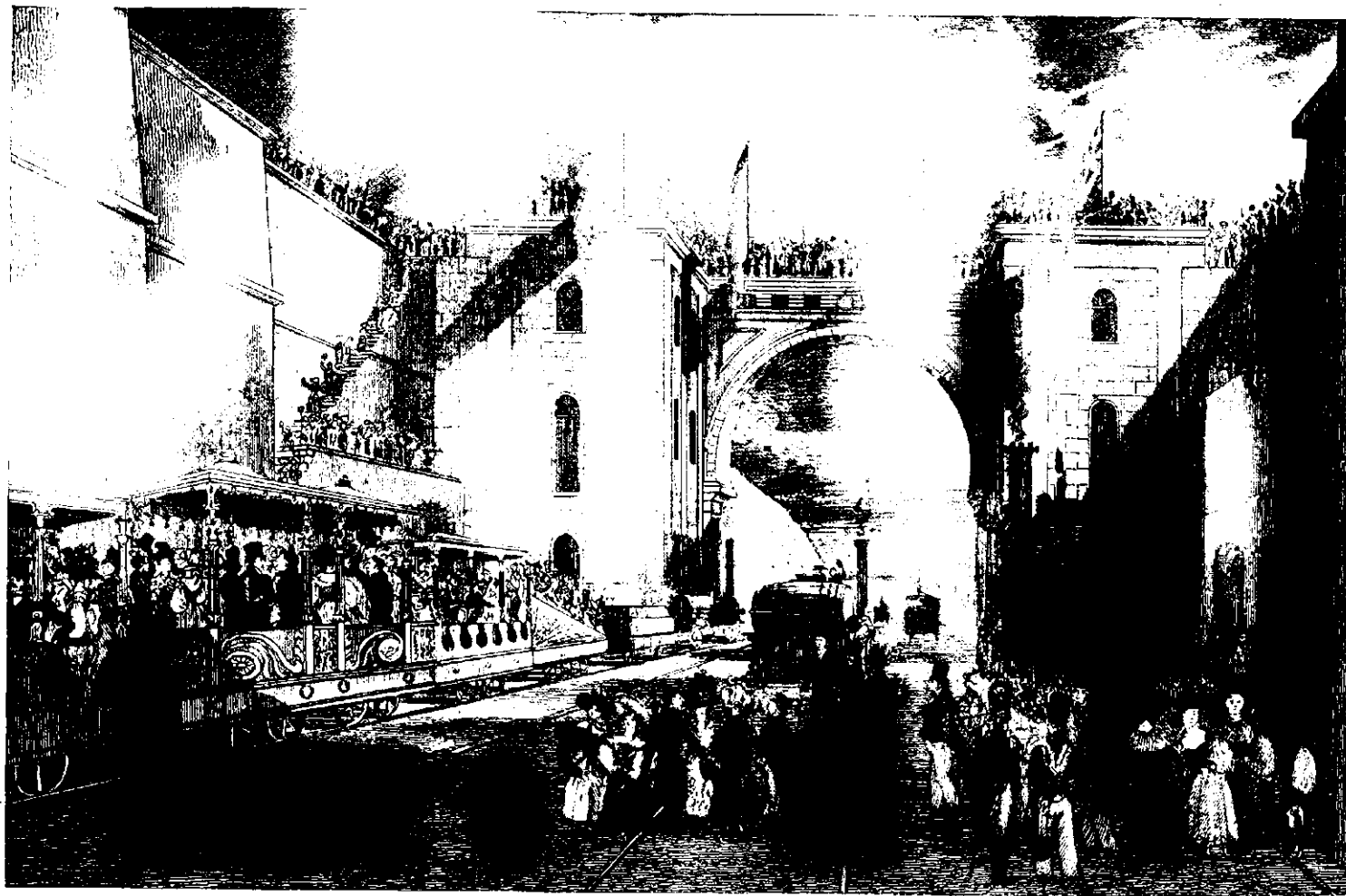
Only one other important country, Germany, adopted the principles and organisation of the English Poor Law. In 1870 she passed the first of a series of wide-spreading measures, establishing the right of all Germans to help in case of distress; the country was divided into districts, administered by Boards, on which service as Poor Law Guardians was compulsory on all payers of poor rates. In France there was not, nor is there to this day, any legal claim to any relief. Ample help is, however, given by local bodies for the infirm, children and lunatics; and, while State hospitals provide care for the sick, relief to the poor is given in each municipality in cases of acute destitution; but it is an act of grace, not a right.

§ 4. THE REVOLUTION IN TRANSPORT

Important as the steam engine proved to be in increasing industrial output, its most revolutionary effects are to be seen in the sphere of communications. The early history of the application of the steam engine to transport by land and by sea has been told so often that the briefest summary will suffice.

ENGLISH RAILWAYS.—On land, England again led the way, the Stockton to Darlington line, built in 1825, being the first to provide steam traction for the regular carrying of goods and passengers, although horse-drawn vehicles were used on the line for some time after its inauguration. The Liverpool to Manchester railway, built against the bitter opposition of the Canal Company, was not necessarily designed for steam power; but the successful tests of George Stevenson's 'Rocket' locomotive decided the directors to make the line an 'all-steam' one, although the tragic death of Huskisson on the opening day seemed to many people a Divine punishment for meddling with powers outside human control. Then came the London to Birmingham line, and by 1850 there were over 5000 miles of railway under construction, 9000 miles by 1854. The last coaches to Bristol and Leeds ran in 1843, to Plymouth in 1847.

The enormous demand for labour created by railway building is said to have been a great factor in the collapse of the Chartist Movement, which had naturally sprung out of unemployment



THE OPENING OF THE LIVERPOOL AND MANCHESTER RAILWAY, REPRODUCED FROM AN ACKERMAN PRINT
From Dendy Marshall's *Centenary History of the Liverpool and Manchester Railway*.

and bad conditions. English railways were built by private companies under their own responsibility, with no subsidy, no guarantee of profits, and (at first) no kind of protection against the exorbitant charges made by the owners of the land through which the railway was to pass, or against the opposition of the squires or of the municipalities who did not want a railway to spoil their atmosphere.¹ Compulsory expropriation at a reasonable rate of compensation was to come later. Being entirely independent, each company acted according to its own schemes; there was at first no uniformity of gauge, no planning, no system of any kind. Certain important towns were served by two or three rival companies who connected them by different routes, while other areas were neglected. Subsequent legislation and simplification reduced this chaos to some kind of order,² and increasing traffic ultimately justified some of this overlapping of lines, but millions were wasted which remained round the neck of the companies as a burden of debt, making English railway charges among the highest in Europe.³

FRENCH RAILWAYS.—Other countries, less dominated by the *laissez-faire* tradition of English economic life, did not allow their railway systems to grow haphazardly. As soon as a few experiments had convinced France that the railway had come to stay⁴

¹ Lord Dacre would not hear of the Great Northern coming near Kimpton Hoo. Abel Smith was violently opposed to the route by Watton. So the line had to be altered a third time to go by Welwyn and Stevenage, where, as ill luck would have it, they fell foul of Squire Heathcote of Sheephallbury. "Insanely violent as usual, he has driven the men from his land, cut down and removed their posts and injured their instruments. We regret that our excitable neighbour Radcliffe should follow the same foolish course." The good work went forward in spite of them, and prospered abundantly. Indeed, the boom soon became a bubble. The confidence of projectors and speculators was unbounded. "The mania for railways has risen to a height that is now truly alarming. The morning papers are swelled to four times their old size with advertisements of new companies, and it is said *The Times* receives £3,000 from this source alone." Our circumspect Quaker forecasts an "ominous reaction" and sells out his London and Birmingham stock at 220 just before the smash: "1845 with mo. 6th. There is a complete panic in the Railway market. The Banks are raising the rate of Interest. Ministers have frequent and long Cabinet Councils, and altogether things look very gloomy" (from *The Times Literary Supplement*, review of *Quaker Journal*, 1804-1861, being the *Diary and Reminiscences of William Lucas of Hichin*).

² The standard gauge of 4 ft. 8½ ins. was made compulsory by Act of Parliament in 1846, except for the Great Western Railway which retained a 7-ft. gauge till 1892. The penny a mile third-class fare was made compulsory in 1844. Bradshaw's Railway Guide first appeared in October 1839.

³ Every mile of the Great Western Railway cost on an average £6600, of the London, Brighton £8000, with another £4000 per mile for surveying and legal dues. Hence the fact that the cost of travel was nearly twice the French and German until the Great War. Whereas a 100-kilometre journey would cost 4s. single and 6s. 6d. return in France, the same journey would cost 5s. 2d. single and double that amount return, there being at that time no cheap ordinary returns in England.

⁴ The opposition to railways was not less ludicrous in France than in England. Thiers, the famous statesman, called them 'a toy for Parisians'; Lyons thought they would destroy the beauty of the Rhone valley.

(the Paris to Rouen line was opened in 1843), her government took the matter in hand. The building and running of the lines were left to private companies, but the State paid a subsidy of 250,000 francs per kilometre and became the owner of the actual road bed, with the faculty of taking over the whole system in the year 1859, a date that was ultimately postponed to 1958. Campaigns for the State purchase of the railways have been carried at intervals by the Radical and Socialist parties, but so far without success; the bankrupt Western Railway, however, was taken over in 1908 and linked on to the South-western system, which had originally been built directly by the State in default of any private company willing to take the risks.

State control also extended to the planning of the lines. The whole of France was divided into six areas, each allotted as a monopoly to one company, which could, however, allow minor undertakings to build within its reserved sphere. For military and administrative reasons Paris was taken as the centre to which all main lines converge—a system which ensured excellent communications from the provinces to the capital, but neglected both branch lines and cross-country communications. To this day it is often more economical of time, if not of money, to travel from one provincial town to another by way of Paris rather than attempt the innumerable changes and waitings involved in the geographically more direct route. Although slower in growth, and less complete than the English system, the French system grew from 2700 miles in 1852 to 12,000 miles by 1870, while the amount of traffic carried trebled during that period.

OTHER RAILWAYS.—The absence of a unified political authority caused the early development of German railways to be somewhat more haphazard, although within each state some kind of government control tended to predominate. The Nuremberg to Fürth line was built in 1835, that from Leipzig to Dresden in 1839; by 1860 Prussia had 3500 miles of railway. Political union brought about a unification of the railway system, which was taken over by the German Imperial Government in 1875. Belgium, on the other hand, had decided on and planned a unified state railway system as far back as 1834. The Swiss and Italian systems were also nationalised.

POSITION OF RAILWAYS IN 1870.—The monopoly of the railway as a carrier of goods and passengers was perhaps never as complete as it was about the year 1870. Transport by road had been completely eliminated as a serious competitor; it was only resorted to in such areas as the railway had not penetrated, of

which there were few in western Europe, and was run in close co-operation with it. Transport by canal still existed, and in certain areas of France and Germany was still very active, but only carried bulky goods for which swiftness of delivery was immaterial, and its small share of the total traffic showed how incomplete was the victory of the railway. Within the railway world competition had been very largely eliminated by the absorption of small rivals, and, in those countries where private enterprise had predominated, most companies enjoyed a virtual monopoly of the traffic within their area. In most countries, again, the railway was enjoying a freedom from any appreciable degree of control which was not destined to endure very long.

A railway map of 1870 is in most points very like the railway map of our own day, and a time-table also. Gone were the days when Bradshaw's Railway Guide did not state times of arrival because this might 'seem to make punctuality a sort of obligation.' It would be a mistake to think that the speed of railways went on perpetually increasing: except for comparatively short stretches in very flat areas, on which a very few trains are run at very high speeds, actual running speed has not greatly altered since the middle of the nineteenth century; many trains averaged well over forty miles an hour in 1850, not many average much over now; even now few trains average over sixty miles per hour for long runs, and not very many average over fifty. The lessening of time spent on travelling is obtained by far fewer stops, more numerous fast trains and better cross-country communications.

THE STEAMER.—The experimental stage of the steamship may be said to have ended when in 1838 a fleet of four steamers was built, timed to cross the Atlantic regularly in fifteen days; two years later the Cunard Line was founded. Steam navigation remained expensive, however, because the size of wooden ships was limited, and the necessary fuel took up the space which should have gone to cargo; early mail steamers could only be run with the help of State subsidies. Then came the discovery that iron could be used for shipbuilding, allowing an almost indefinite increase in the size of vessels; shortly after, the invention of the compound engine enabled the fuel amount to be cut down by half, so that whereas in 1864 a 3000-ton ship had to carry 2200 tons of fuel to 800 tons of cargo, a few years later the figures were the other way round.

The competition of sail, however, continued much longer than that of coaches. For many years heavy or bulky non-perishable cargoes were more cheaply transported under sail

than under steam. In 1870 the total tonnage of steamers was less than that of sailing ships. Not till ten years later were the proportions reversed.¹ 'As late as 1890,' says Mr. Fayle, 'the big passenger sailing vessels for the Far East were well filled; in 1882 no fewer than 550 sailing vessels brought wheat from U.S.A. to England. But the increasing necessity for regular delivery put the sailing ship out of commission: occasionally, it might be as swift as a slow cargo steamer, but no one could know when it would arrive, whereas the most primitive tramp could be depended on within a day or two, and most passenger vessels within a few hours.'

SOME RESULTS OF MECHANICAL TRANSPORT.—The economic consequences of the advent of mechanical transport are so enormous and so widespread that we can only touch on the surface of the subject. The stimulus to trade and industry was almost incalculable: decreasing costs of freight meant lower costs of production; lower costs of production meant a much greater demand for goods, which in its turn decreased freights by diminishing the proportion of fixed overhead charges carried by each ton; greater demand for goods meant more employment; swift transport meant the possibility of bringing to Europe many articles from distant countries that could not be entrusted to sailing ships. By guaranteeing the regular arrival of goods, railways and steamboats enabled commerce to plan ahead with more accuracy, diminished fluctuations in price, gluts here and shortage there. The mobility of the population greatly increased: not only were workers enabled to move within their own country more easily, according to the demands of employment, but migration from one part of the world to another became a regular feature of nineteenth-century life. Travel for pleasure, of course, increased greatly, distant journeys now being possible within the short holidays which most people enjoyed.

STEAM AND BRITISH SUPREMACY.—The advent of the steam engine also helped to increase Britain's advantage over her competitors. Her coal supplies enabled her to ensure low freight costs, although the comparative shortness of her lines made overheads heavy;² being first in the field, she enjoyed for many years marked preponderance in the building of steam engines of all sorts; and her supremacy as a carrying nation was increased

¹ 1870: sail 5947 million tons, steam 1202, mixed 3606; 1880: sail 5498, steam 2949, mixed 8847. Percentage of steam to sailing ships (whole world) in 1860, 20·1; in 1870, 41·1; in 1880, 63·4; in 1891, 83; in 1900, 91·7. The proportion is higher for British ships alone (figures from Fayle's *History of the World's Shipping Industry*).

² The longest distance from an English town to a seaport is 90 miles.

when steamships replaced sailing vessels, especially when the iron ship superseded the wooden. American competition, very keen in the first half of the century, when America built fast clippers in the soft wood of which she had a virtual monopoly, collapsed because of her shortage of iron.¹ But although England gained much at the start, the importance of railways was perhaps relatively greater in other countries. English distances were comparatively easy and short, while the revolution in transport caused by the carrying of goods and passengers over the German and, later, the Russian plains, by taking traffic under instead of over mountains, is incalculable. The industrialisation of a steamless England is conceivable—it had, in fact, already begun; but an industrial Germany depending on coaches or canal barges is inconceivable. The same is true of the invention of the electric telegraph, already well established by 1870: the greater the area of the country, the greater the revolution caused by the change in methods of communication.

§ 5. COMMERCIAL AND FINANCIAL EXPANSION

EXPANSION OF WORLD TRADE.—Trade naturally followed closely the main features of industrial and transport changes. Both within each country and between the various countries came an enormous expansion of world trade, an expansion in which all countries shared, but in which Great Britain achieved a supremacy which in 1870 appeared well-nigh invincible. Producing far more than any of her rivals, needing huge quantities of raw materials, with a much more developed system of transport and a dominant position as a carrier for other people's goods, standing as a colonial power easily ahead of all others, her commercial supremacy can be illustrated by masses of statistics, of which it would be tedious to quote more than a few essentials.² In 1800, the total foreign trade of England was valued at £62 million; in 1850, at £175 million; in 1855, at £285 million; in 1860, at £373 million; in 1865, at £467 million; in 1870, at £581 million. Imports of raw wool had risen from 8½ million pounds in 1800 to 127 million pounds in 1857; of cotton wool from 56 million pounds in 1800 to 260 million pounds in 1830. Textile exports, which amounted to £25 million in 1830, reached

¹ In 1835 American tonnage is 1 million; in 1860, 2½ million, as against Europe's 5½, and Alexander Stephen could not unreasonably declare that 'England could no longer be styled the mistress of the seas.' But in 1870 it had dropped to a quarter of a million.

² 'Statistics must be used with the greatest caution. Statistics of exports and imports, for instance, were defective in the nineteenth century. "No figures of trade ever came within 20 per cent. of the truth," said Sir Charles Dilke' (*History*, July 1933).

£40 million in 1850, £67 in 1860, £100 in 1870—of which cotton represented £71, wool £26½, silk £2½ million. Steel exports were £1 million in 1830, £5½ in 1850, £12 in 1860, £23½ in 1870. Coal also was exported in large quantities. Among the customers of Great Britain, the United States were the chief, accounting for about a sixth of British exports, especially for iron (of which they took over one-half the amount exported), woollen cloth, carpets and blankets.

A detailed analysis of the various goods exported and imported would show considerable changes in British trade between the two dates at the beginning and end of the present survey. At the beginning of the century few raw materials were imported (except some iron), and few ordinary food-stuffs. Imported food-stuffs, such as tea, tobacco, spirits, wine, rice, coffee, were not essential to English life. But by 1870, raw cotton and raw wool were being brought in in enormous quantities; foreign wheat and meat were playing a large part in Britain's feeding, while the export of food-stuffs had almost entirely ceased.

The trade of other countries was also expanding, but on a much smaller scale. France took some time in recovering from the damage to her trade caused by the Napoleonic wars: not till 1830 did her trade figures reach those of 1788; in 1829 she still bought less from England than did Spain, Turkey or Chile. In 1831 her foreign trade amounted to £33½ million; in 1847, to £66¾ million; in 1869, to £228 million—a little over one-third that of England. Belgian trade rose from £16 million in 1840 to £72 million in 1870; Dutch trade from £22 million in 1847 to £50 million in 1870. Prussia, though backward at the beginning of the century, saw her wheat export trade double between 1860 and 1870.

INSTABILITY OF TRADE.—The figures quoted seem to indicate a constant increase of trade and therefore a continuous prosperity, but such a view would be misleading. Before the coming of large-scale production, both productive capacity and markets available for the trade were well defined and limited in extent, and, with population increasing at a slow and steady rate, conditions of employment were fairly static; as long as harvests were reasonably good, and no great catastrophes or wars upset the balance of the world, commerce grew steadily with few fluctuations.

Machinery, apparently inexhaustible new markets, a quickly increasing population, and an enormously growing productive capacity destroyed the stability of the old economic system. Trade grew indeed by leaps and bounds, but those leaps and

bounds might be backward instead of forward, and an accurate curve of economic development would be anything but a neatly graded upward line. Production in one industry might outstrip the demand and unemployment arise in that line, just as another industry might enjoy an unprecedented boom. Some disturbance might suddenly close one market, or stop the supply of some essential raw material; the distress caused in Lancashire by the acute shortage of cotton during the American Civil War is an obvious instance. The enormous increase of banking and credit facilities inevitably brought about reckless speculation and financial crashes, with widespread repercussions.

TRADE CYCLES.—During the ninety years under survey, there is, in fact, a series of well-marked alternations. A period of intense depression came after the Napoleonic wars, the end of which was marked by the return to the gold standard in 1821. Good times followed, and in 1823 the Chancellor of the Exchequer spoke of ‘a flood of prosperity,’ while two years later the King’s Speech to Parliament said that ‘there never was such a period when all the great interests of the nation were in so thriving a condition’; on which *The Times* commented: ‘Would that the lesser interests partook of this affluence! Would that bread were cheaper for them!’ Then came a period of reckless speculation, especially in South American enterprises: it is said that skates and warming-pans were shipped to Brazil in large quantities, and a loan raised on behalf of an imaginary republic. A number of bank crashes followed in 1825, when over seventy banks stopped payment. So serious was the situation that many responsible persons presaged the downfall of the entire capitalist system. Confidence gradually returned, and the passing of the Reform Act in 1832 opened a period of expansion, especially in connection with the building of machinery and of railways. But the end of the thirties saw another series of bank failures, a number of bad harvests, and a sharp rise in cotton prices owing to financial troubles in America. The distress of the years 1837 to 1840 had much to do with the development of Chartism.

By 1844 business was very brisk again, with the result that there came a mania for railway speculation, which caused a shortage of available capital at the very time when bad harvests necessitated the purchasing of large amounts of foreign corn. A number of corn houses and of banks consequently failed. The repeal of the Corn Laws and of the Navigation Act caused a revival of trade, but the Crimean War and the Indian Mutiny checked economic expansion; in 1857 an exceptionally good harvest caused a sharp fall in wheat prices and a number of bad

failures both in England and in America. So serious was the panic that the House of Commons appointed a Committee of Enquiry, which reported that 'it was impossible to attribute the failure of such establishments to any other cause than their own inherent unsoundness, the natural and inevitable result of their own misconduct.'

Confidence returned, and the early sixties were years of prosperity, with trade made easier by a number of treaties of commerce. Then came the cotton crisis caused by the American Civil War, and in 1866 the staggering failure for £19 million of the firm of Overend, Gurney & Co., whose losses, declared Bagehot the great economist, 'were made in a manner so foolish that one would think a child who had lent money in the city of London would have lent it better.' Many failures were the consequence, and 1867 was described by Goschen the financier as 'to all intents and purposes one long, financial, commercial, industrial and railway crisis.' A few years of prosperity followed, but the Franco-Prussian War of 1870-71 ushered in a period of depression which was to last for over twenty years with occasional spells of improvement in particular industries—a period of which R. H. Inglis Palgrave was to say, in 1895, that 'the present generation of young men, including those now approaching middle life, have scarcely known what it is to see trade and industry receive their full reward.' Then from 1895 to the Great War came twenty years of general prosperity with occasional short depressions. But this sketch will enable the student to see graphically the difficulty of making general statements about economic conditions over a large period of time.¹

DEVELOPMENT OF BANKING.—Bank failures formed, as we have just seen, a marked feature of these commercial crises. It was, of course, natural that economic development should have brought about a similar expansion in banking and credit establishments in general. There seemed to be almost unlimited opportunities for large profits, and banks sprang up like mushrooms. No laws regulated their formation; they could both lend money, act as

¹ This account of the trade cycles in nineteenth-century England is summarised from an article by W. O. Henderson in *History* for July 1933. Similar fluctuations, though on a smaller scale, could of course be traced in the development of the other chief industrial and commercial countries. 'During the years 1790 to 1870,' says Bowley in his *England's Foreign Trade in the Nineteenth Century*, 'the history of foreign trade is the history of the division of the world into new countries producing raw materials and old countries manufacturing them. This is especially seen in the period 1870 to 1873, the climax of the century's commerce, when inflation and depression were mainly due to a too great acceleration of this process of division, when new countries produced more raw materials than old countries could profitably manufacture.'

trustees of money deposits and issue notes on these deposits without any let or hindrance. When things were prosperous there was nothing to be said; and through the banks much money was put into circulation, both for investment in undertakings at home and for investment abroad. Amsterdam had lost her position as the centre of the banking world when Napoleon conquered Holland, and London took her place; between 1817 and 1819, Great Britain lent some £27 million to France; the United States borrowed £18 million, and the Southern American States £38 million, between 1818 and 1825. Between 1833 and 1845, over £50 million had been invested abroad for railway construction only; ¹ by 1854, foreign investments had risen to £550 million, and by 1871 this figure had risen to £1400 million, after which the increase became much less marked.

THE BRITISH BANK CHARTER ACT.—But unlimited banking facilities had their drawbacks as well as their advantages. It gave an open field to reckless speculation, to wild investments; it favoured the careless financier at the expense of the sober, conservative banker; it also meant that, by their power to issue notes, banks could practically regulate public credit and largely determine the commercial expansion of the country.

The British Government, therefore, came to the decision that something must be done to control the banks, and in 1826 forbade the circulation of notes of less than £5. But this was not nearly enough; and in 1844 Peel brought in a Bill for the revision of the Charter of the Bank of England; this became the Bank Charter Act of 1844, which forbade banks to issue notes in excess of their actual deposits in gold, allowing only the Bank of England to have an 'uncovered' issue up to £14 million. Events were to show that even this limitation was not sufficient, and, following upon the further dislocation in prices and currencies caused by the large influx of gold from the newly discovered mines of California and Australia, private banks were gradually deprived of all right to issue notes.

But if reckless banking and speculation were heavily discouraged, every encouragement was given, on the other hand, to sound investment policies, and an Act of 1856 extended to all undertakings the privilege of 'Limited Liability,' hitherto reserved to companies created by royal charter or Act of Parliament, such as canal and railway companies. All other undertakings

¹ Lord Brassey, the great railway contractor, built no fewer than thirty foreign railway lines between 1850 and 1870, and Sir Edward Blount was responsible for a number of the main French railway lines, stating himself that he 'practically financed the Western French Railway.'

had been hitherto technically 'partnerships' in which each member had an unlimited liability for the whole of the undertaking's debts in case of failure. After 1856, each shareholder became responsible only for his proportion of the unpaid capital, if there was any; and if his shares were fully paid up, he simply lost his invested money but was not responsible for the company's debt: the company simply went bankrupt, and the shareholder was really in the position of a creditor rather than of a member of the bankrupt undertaking.

BANKING IN FRANCE AND GERMANY.—All we have said about England applies to the other countries, though events developed later and on a smaller scale.

French financial development remained slow until after the political crises of 1848-49, although between 1817 and 1847 the deposits at the Bank of France (founded in 1808) had trebled, and those in the Post Office doubled. But with the Second Empire began a period of marked expansion, with the founding of two great undertakings, the *Crédit foncier* and the *Crédit mobilier*, one in effect a national mortgage bank to make advances on the security of land, the other virtually a national company to promote and direct industrial joint-stock enterprises. The latter ultimately failed, but it had served as a stimulus to much industrial banking; the former became a permanent part of the French financial organisation. In 1863 the famous *Crédit Lyonnais* was founded. With the help of all these institutions, French investments developed. A series of laws established the principle of limited liability between 1863 and 1867, and the total volume of business dealt with on the Paris Stock Exchange trebled between 1851 and 1919, both in value and in the number of firms whose shares were offered for sale.

The French credit system was kept steady generally by the fact that the Bank of France had (except for a brief interval between 1817 and 1848) kept the monopoly of note-issuing, and that the French business man, especially the peasant, distrusted both cheques and paper money. Large gold reserves were, therefore, always necessary, and the whole system was far more dependent on the Bank of France than the English system, with its enormous reliance on cheques, was on the Bank of England. This reliance on gold, and deep suspicion of everything that resembled inflation, helped to keep French progress slow and to prevent wild fluctuations. So solid, in fact, was the French monetary system that it was adopted as a basis by Belgium in 1832, and later by Switzerland, Italy and Greece. The soundness of French nineteenth-century finance under varying political

systems is in marked and curious contrast with the financial recklessness of the *ancien régime* and with the instability of French post-war finance.

Lacking central control, the German banking system lacked unity. In 1871 there were still thirty-three banks with the right of note issue, of which twenty-five had sprung up since 1850. There were also a number of mortgage banks and institutions for lending on land securities; the French *Crédit foncier* had, in fact, been copied from the Prussian *Landschafter*, which dated back to Frederick the Great. While everything was pointing to expansion, it is too early, however, to speak of a real system; it was the financing of the French £200 million war indemnity in 1871 that was to lead to the foundation first of the *Deutsche Bank* in 1870, then of the *Reichsbank* in 1875, to whom the sole right of note-issuing was to be gradually transferred.

NEW FINANCIAL SYSTEMS.—Thus, by 1870, had been built up what can almost be called a new system of industrial capitalism. Its bases were, first, a banking system resting ultimately on State banks largely responsible for the control of credit and solely responsible for the manipulation of currency. Private banks could indeed carry on business, and ruin their depositors, but their capacity to injure the delicate machinery of national finance was now strictly limited. Next came the creation of thousands of companies, in whose undertakings it was possible to invest very small as well as large sums, with the certainty that the maximum loss risked was just the amount invested and no more. All kinds of avenues were now opened for the disposal of savings, from the safe investment on small interest to the speculative undertaking that might bring in dividends of 20 or 30 per cent., or nothing. Thirdly, came the internationalisation to a new degree of finance and industry. Investors could place their money abroad; any company might have capital held by investors of many nationalities, and consequently a financial crisis could not be limited to one country, but was bound to spread and cause fluctuations all over the civilised world. To this interdependence of all countries telegraphs and railways, of course, also contributed a considerable share.

§ 6. COMMERCIAL POLICIES

THE DOMINATION OF PROTECTIONISM.—Eighteenth-century commercial intercourse had been based on the principles of the most rigid protectionism. The new economic ideas of non-intervention, put forward by Adam Smith and by the French Physiocrats, had

in the main failed to convince statesmen of their suitability to international trade ; they had, indeed, been applied to the removal of internal barriers on domestic trade, but not beyond, and the eighteenth-century system of tariffs was carried into the new industrial world. In 1870, Europe, with one great exception, was still universally protectionist, and sixty years later circumstances forced the one exception to fall in with the prevailing policy, when, in 1932, Great Britain abandoned her policy of free imports.

Nineteenth-century protectionism differed, of course, in many respects from that of the eighteenth century. It was not concerned, at least directly, with balance of trade, retention of gold, etc. ; it was based on the definite principle that each country should produce all it possibly could, so as to be as independent as possible of foreign supplies, partly in case of war, partly for the sake of prestige, partly from the idea that industrial development was profitable in itself and should therefore be encouraged. Tariffs became, therefore, a wall behind which national industries could be built up without fear of foreign competition ; prohibition of foreign goods was not usual ; all that was desired was to make the foreign article a little dearer than the home made. (Taxes on imports for purposes of revenue are not part of a protectionist policy if a similar duty is imposed on the article when made at home, *e.g.* tax on spirits, on tobacco, on tea, on playing cards, etc.)

Intelligently applied, protectionism proved beneficial to many young industries—indeed, in many cases essential. But it was too often applied in a narrow nationalist spirit, without any real attempt to discover whether the article taxed could really be produced at home without a stimulus that artificially promoted industries for which the country was not really suited. It was natural, for instance, that France should protect by tariffs her beet-sugar industry from the competition of foreign cane sugar, even if it meant that the French consumer paid a little more for his sugar. It was absurd for Russia to put heavy duties on agricultural fertilisers which she could not produce, or on machinery she could not manufacture in adequate quantities ; the only result was to cripple her agricultural and industrial development.

COMMERCIAL TREATIES.—In the main, protectionism was applied neither blindly nor excessively ; in fact, during the last few years of our period, it had been mitigated by the sympathy shown by Napoleon III and Bismarck towards freedom of international intercourse. Disbelieving in tariff wars and in competitive views of trade, they were prepared to co-operate with Free Trade England ; the Anglo-French commercial treaty of

1860, negotiated by Cobden, had greatly lowered the duties on English goods; the Franco-German Treaty of 1862 definitely introduced 'the most favoured nation clause' policy, by which all lowering of tariffs in favour of one nation must be made to apply to all the nations which have signed the treaty. As a result, most countries developed a double tariff, the one 'general,' the other 'conventional,' that is, applying to all nations who had entered upon a most favoured nation agreement; in many cases the 'general' tariff became the exception. Protectionism, however, dominated commerce, and the moving about of food-stuffs, manufactured articles, and often of raw materials, was attended with a number of restrictions and payments which increased the cost of living and imposed unfortunate limitations upon world trade.

BRITISH COMMERCIAL POLICY.—Great Britain, however, had, alone of all countries, deliberately turned her back on this policy and abandoned all attempts at closing her doors to foreign goods of all kinds, whether food-stuffs, raw materials or manufactured articles, and we must try to estimate the significance and results of this policy. We saw how the old British system was one of high protection, almost of prohibition, for all goods of non-British origin (including as 'British' those of colonial origin). Some timid attempts had been made, first by Huskisson, then by Wellington, to deal with a possible shortage of corn by establishing a sliding scale, by which the duty on foreign corn automatically decreased as the price of domestic corn increased; the idea was to keep corn at a steady price which would give the English farmer an adequate profit without making bread too expensive; but these schemes neither pleased the farmers nor brought down the cost of living enough to satisfy the manufacturers, who also complained of high duties on essential raw materials. Hence the agitation, of which Cobden and Bright became the spokesmen, for the abolition of duties on imported food-stuffs, coupled with a demand for a revision of the whole protective system.

ABOLITION OF THE CORN LAWS.—We need not go here into the familiar story of the formation of the Anti-Corn Law League in 1838, its systematic and ceaseless propaganda, the election to Parliament of Cobden in 1841, of Bright in 1843, the bad harvests which increased the price of bread, and the sudden conversion, in January 1846, of Peel, hitherto leader of the Protectionist party, to the policy of abolition. Peel had, as a matter of fact, anticipated this as early as 1841, when he declared 'that ultimately, the remedy was the removal of all impediments to the import of

all kinds of human food, that is the total and absolute repeal for ever of all duties on all articles of subsistence. You might remit nominally for the year ; but who will re-establish the Corn Laws once abrogated, though from a casual and temporary pressure ? ' The repeal of the duties on corn had, in fact, been preceded, in the 1842 Budget, by a reduction of no fewer than 650 duties on imports ; in 1845, of 450 more. This was completed in the Budgets of 1853 and 1860, by which year there only remained some forty-eight revenue duties.

EFFECT OF FREE TRADE.—This revolution in economic policy has a number of aspects which must be carefully disentangled. The abolition of duties on imported goods was, of course, a victory of the industrial and commercial interests over those of agriculture. Cheap food was a necessary condition of low costs of production, and these were essential for successful competition in foreign markets. The Corn Laws had been repealed, in spite of the opposition of the farmers, because those circumstances had come to pass which Peel foresaw when he declared, in March 1839, that ' unless the existence of the Corn Laws can be shown to be consistent not only with the prosperity of agriculture and the maintenance of the landlords' interests, but also with the protection and maintenance of the general interests of the country, and especially with the improvement of the condition of the labouring class, the Corn Law is practically at an end.' High bread prices had been shown to be clearly inconsistent with the welfare of the workers, whose needs could no longer be met without large amounts of foreign corn ; humanitarian opinion forced cheap food on the landlords, just as it was later to force factory legislation on the manufacturers.

But neither humanitarians nor manufacturers realised that wages could be raised, and conditions of employment improved, without necessarily sacrificing English farming. In fact, the abolition of the Corn Laws was really a form of inverted protection. Just as, in other countries, industry needed protecting from foreign competition by tariff, so in England industry looked to low production costs and cheap food for similar protection. The same is true of the abolition of duties on raw materials ; it was essential that England should be able to buy these in the cheapest market without restriction, and, as long as her own supplies were inadequate, free imports could only be beneficial. As for foreign manufactures, few, if any, would really compete with English articles which were being produced under the most favourable conditions ; and the free traders argued that if by any chance a few could be bought in England for less than the home manu-

facture, it was to the advantage of the English consumer to have the cheapest possible article. As to duties for revenue, they could be replaced by direct taxation on income, as suggested by Peel in 1842. Similarly, the repeal of the obsolete Navigation Acts, between 1822 and 1854, indicated that England's maritime position was so strong that foreign competition was practically non-existent; and the final abolition of all that remained of Colonial Preference was also virtually a declaration that colonies could not conceivably have any serious advantage in buying from or selling to other countries what the mother country could sell and buy to their greater advantage. Free trade was based on a recognition that Great Britain enjoyed, in all essentials, a virtually unchallengeable monopoly.

§ 7. AGRICULTURE IN THE INDUSTRIAL REVOLUTION

The repeal of the Corn Laws was not merely a piece of commercial policy, it was an important episode in the history of English agriculture, and brings us, therefore, to the subject of agriculture in general.

ENGLISH AGRICULTURE.—On the face of it, the repeal of the Corn Laws was a deliberate sacrifice of the agricultural to the industrial interest, of the farmer to the manufacturer. The farmer saw ruin staring him in the face. As a matter of fact, agriculture, which had been experiencing a period of bad years under Protection, entered under Free Trade into a series of very prosperous years, proving, as Mr. Peel says, that 'fiscal policy, while important, is not so overwhelmingly so as the opposing schools are apt to imagine. There are always other factors present, and many of them prove to be beyond the control of legislation.'

In 1870, British agriculture was prosperous and flourishing, at least as far as the landlord and the farmer were concerned. The steady increase in population caused a steady demand for all food-stuffs, and foreign supplies were abundant enough to satisfy the need but not so abundant as to undercut the home supply. Russia and north-eastern Europe were England's additional granaries, and just when their production might be getting over-abundant, the Crimean War cut it off for a while. Then civil wars prevented American competition from becoming too acute, and the Franco-German War not only stopped German corn exports but created in France a shortage which the British surplus was able to fill. New machines were introduced, stock-breeding was improved, fresh methods of cultivation put into

use. The rise in the standard of living caused an increase in the eating of meat, with a rise in its price, which was still largely untouched by foreign competition, since methods of importing frozen meat had not yet been discovered. No change appeared in the general characteristics of the land system. Enclosure had completed its work : scarcely any Acts were passed after 1850. The large farm, rented by a tenant from the landlord, had definitely come to stay ; then, as now, England was the country with the largest average size of holding, the smallest proportion of farmer owners, the smallest acreage owned by cultivators. In 1870 she numbered less than a million landowners, as against the 5½ million of France and the million of tiny Belgium. Half the total enclosed land was owned by 2250 persons, of whom 525 were peers, owning between them 15 million acres.

THE ENGLISH AGRICULTURAL LABOURER.—The weak point of the system was the condition of the agricultural labourer, who saw little of the prosperity which rejoiced the heart of the farmer. Not indeed that he was as wretched as he had been at the beginning of the century, when wages had fallen to eightpence a day, when farmers were abandoning farms, when a *Morning Chronicle* versifier could, after describing the distress in London, advise his readers to—

Turn to the country and witness there
Tenants in gaol and landlords in despair,
Industrious hands that beg for work in vain,
Recovered lands that turn to waste again ;

and Carlyle could speak of ' English farm labourers at nine, even seven shillings a week ; Scotch farm labourers who, in districts the half of whose husbandry is that of cows, taste no milk, can procure no milk.' But even though agricultural wages rose somewhat, so did the cost of living. Combination to improve conditions, savagely punished until the eighteen-thirties, was, or seemed to be, quite impracticable among isolated, ill-educated men ; migration to some other occupation, such as railway work or factories, alone offered a way of escape, until emigration to a new world became a practical possibility. In 1850 a careful observer, James Card, made a survey of agricultural England, much on the lines of that of Arthur Young in 1770 : he found that in the south the average wage had only risen from 7s. 6d. to 8s. 5d.,¹ whereas the price of butter and cheese had doubled, that of meat increased by 50 per cent., and rents of cottages had

¹ In the north, where factory competition tended to raise wages, the average was 11s. 6d.

doubled, partly owing to natural causes, partly owing to the deliberate policy of many landlords to decrease the rural population and avoid the danger of having to pay, through the poor rate, for the relief of many destitute labourers.¹

It is certainly no exaggeration to say, with Mr. Beales, that 'no class in the nineteenth century has a more sombre history' than the country labourer. He had, indeed, acquired legal freedom, but discovered that a landless legal freedom is no real freedom at all. 'At all times up to the beginning of the nineteenth century, the agricultural labourer started with an initial, and often hereditary advantage, in that he had a direct claim to certain privileges attached to the land. After the second enclosure movement he lost this advantage, and was placed in equality with those at the bottom of other industries.'²

FRENCH AGRICULTURE.—It would be difficult to find a more complete contrast than that afforded by French agricultural conditions. We had left, in 1788, a country of large semi-feudal estates, with a certain number of semi-independent farmer owners but retaining many features of the old serfdom. We find her, in 1870, a country of nearly five million owners, most of them with a farm so small that not only do they till without any outside help, but in many cases they have time left over to work as labourers on a neighbouring farm.

Every student knows that this change was the direct result of the Revolution. Made legally free by the abolition of manorial rights and feudal dues, in August 1789, the peasant had soon been given the opportunity of becoming the owner of his land. Most noble landlords emigrated; often their tenants simply proclaimed themselves owners of their farms; in other cases the property was confiscated by the State, put up for sale, and knocked down at very low figures to the farmers.³

The same happened to the extensive lands forfeited by the Church in her refusal to accept the new status proposed to her by the Civil Constitution of the Clergy, and other measures which aimed at placing her under the complete control of the people or their representatives. Once the bulk of the land had then passed into the hands of the actual land workers, the

¹ 'Nothing can put this country right but emigration on a large scale,' says Lord Marney in Disraeli's *Sybil*, 'and as the Government do not choose to undertake it, I have commenced it for my own defence on a small scale. I will take care that the population of my parishes is not increased. I build no cottages and I destroy all I can, and I am not ashamed or afraid to say so.'

² Venn, *Foundations of Agricultural Economics*, p. 197.

³ Much land, of course, was bought as an investment by townfolk, professional people, etc., but in many cases it was ultimately bought up by farmers.

Napoleonic codes prevented the building up of large estates by compulsory division at the death of the farmer between all his heirs.

FRENCH PEASANT OWNERSHIP.—France had thus solved, with amazing swiftness and ease, the problem of land ownership, and provided herself with that most valid guarantee of social stability, a mass of small peasant owners,¹ anxious only for two things—the ownership of their farm, and the stability of an economic order that guaranteed their livelihood. They were hard-working and quickly became prosperous. The production of wheat, of potatoes, of wine, steadily increased; foreign corn was carefully kept out by protective duties (in 1870, only 5 per cent. of agricultural produce was imported); the Government encouraged agriculture by all possible means, such as credit banks, agricultural farms, competitions, preferential railway rates, etc. The use of machinery spread; and as a result land still played in the national wealth and economy a greater part than industry, accounting for 55 per cent. of the total wealth, 67 per cent. of the population. Not till the next century was the balance to alter.

In spite of improvements, French agriculture remained, in the words of its most prominent historian, Augé-Laribé, ‘intensely traditional, marked by the predominance of manual work and by a resigned submission to the caprices of nature.’ The reason is obvious: quite apart from the innate conservatism of the peasant class, tiny farms do not encourage the use of machinery, nor has the small farmer much available capital for improvements; he is practically forced to a somewhat hand-to-mouth existence, which may be adequate for his needs but does not make for the full development of the country’s resources.

GERMAN AGRICULTURE.—German agricultural conditions presented in 1870 an interesting dualism of conditions. The serfdom still so prevalent in the eighteenth century had, of course, disappeared. It had been suppressed in Prussia between 1808 and 1810, thanks to the efforts of Stein and Hardenberg; and emancipation had rapidly spread to other parts of the country. But merely freeing serfs did not in itself solve the land problems: what was to be the status of the newly enfranchised class? The south and west of Germany gave one answer, and the north and

¹ There were, in 1870, about 2½ million landlords, 1 million tenants, 340,000 métayers. There were 5 million farms, 2 million under 2½ acres, 2½ million from 2½ to 25, 750,000 from 25 to 100, and 130,000 over 100 acres. In England 50 acres is considered a small farm.

east another. In the former areas, where the property of the feudal landlords had been very scattered, the farmer easily obtained, as in France, ownership of his plot; in Würtemberg, for instance, half the landlords were peasants holding less than five acres; in the Rhineland, fourteen acres was a very average farm. But in the north and east, where large compact estates predominated, the landlords kept their land, and the serfs found themselves mere labourers, much as in England. In East Prussia 38 per cent. of the farms were over 250 acres, in Pomerania 53 per cent., in Mecklenburg 60 per cent. In East Prussia the manor remained as an administrative unit up to 1892, and even after retained much practical autonomy. In Prussian Poland, many a free farmer found his land virtually confiscated in favour of a Prussian immigrant, partly for political purposes, partly to ensure a supply of cheap labour for the factories. Thus, in the main, it can be said that the empire was established in a country half of free land-owning peasants, half of powerful cultivating squires—so much so that, according to Clapham, 'in a broad survey of modern German agriculture, tenant farming might almost be omitted.' As in France, agriculture made slow but steady progress, under somewhat old-fashioned methods of cultivation.

AGRICULTURE IN RUSSIA.—Russian agricultural conditions had also undergone a similar revolution. We have seen in the previous chapter the evolution that had transformed autonomous communities of legally free peasants into manors whose inhabitants had become practical serfs; the nineteenth century saw the process reversed. Emancipation had been talked of since the days of Alexander I, and a number of commissions appointed to examine the matter, but all with no result. In 1860 there were still 47 million serfs, nearly half on Crown lands. But in 1861 came the edict by which emancipation, begun on the personal property of the Imperial Family in 1858, was to be extended to all serfs and to be completed by 1866. The landlords were to be compensated by the State, which loaned the money to the peasants, to be repaid within fifty years. By this sweeping measure half the agricultural land of the empire, some 350 million acres, is supposed to have changed hands. As a rule, however, the new owner was not an individual but the village community, which tended to keep as tight a hold on the individual as the former lord. If the peasant did become an owner, it was with a burden of debt hung round his neck, which made his legal freedom of movement largely illusory. In the process he often lost his share of old common rights, and it is very much open to question whether the end of serfdom finally meant emancipation or depression. Putting

aside the question of land tenure, however, there is no doubt that agricultural conditions in Russia were improving at the time we have reached. There was now a steady demand for Russian wheat, especially in England; the development of the railway system greatly helped this exportation of cereals; Siberia was being exploited. But the shortage of capital, the backwardness of the methods used, left much of the country's enormous resources quite undeveloped.

AGRICULTURE IN OTHER COUNTRIES.—The process of freeing the serfs in Europe may be said to have been completed by the Russian emancipation policy. Spanish peasants had obtained complete freedom in 1811; serfdom in the various Italian states had gradually disappeared between 1797 and 1851; the revolution of 1848 had destroyed the last remains of serfdom in Austria-Hungary; and servile tenures had become obsolete in all other countries except some provinces of the Turkish Empire. Thus, by 1870, agricultural Europe was in the main a vast area of small independent farms, worked usually by their owners, less often by tenants, with here and there islands of big estates worked by landless labourers under the direct control of some big landlord or his agents. Outside England, agriculture, usually of a fairly old-fashioned and traditional character, was still the dominant occupation, and rural population was in the majority.

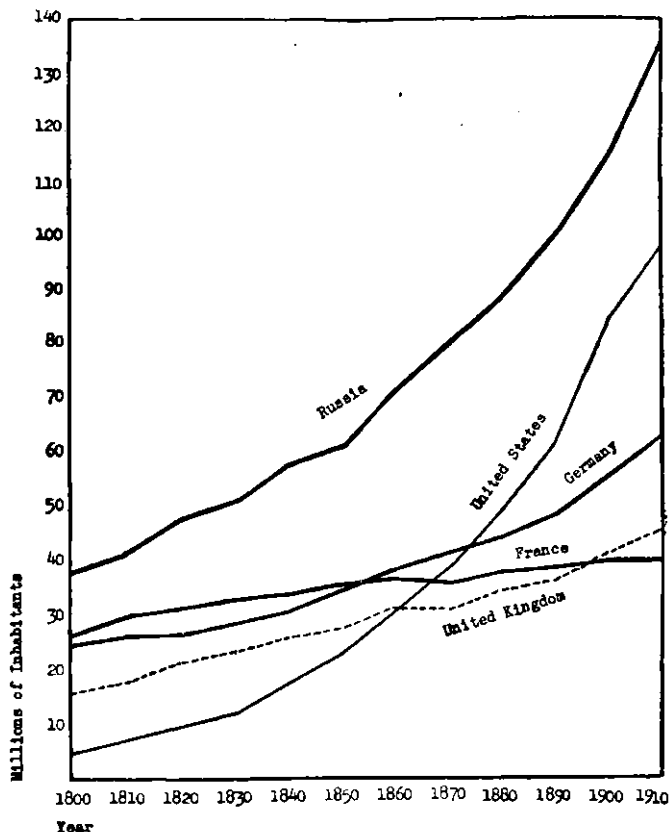
§ 8. POPULATION CHANGES

One of the main results of the industrialisation we have been surveying is the enormous increase of population. About 1800 (the date of the first English census) the total population of Europe was probably about 180 million; in 1882 it was about 327 million—a little less, therefore, in 1870. In other words, European population had nearly doubled in three-quarters of a century.

But the significance of the increase will be more apparent if we analyse it in more detail. In 1801 Russia was, as always, the most populous country, with some 38 million; then came, fairly close together, France with 27, Austria-Hungary with 23, Germany with 21, Italy with 18, and the United Kingdom with 14 million, of which England and Wales accounted for just under 9 million.¹ About 1870 France, with 36 million, no longer leads; Germany is ahead with about 38 million, Great Britain is a good third with 31 million, and Italy fourth with

¹ The terms 'Germany,' 'Italy' are applied in 1801 to those areas which were to be the German Empire and the Kingdom of Italy by 1871.

27 million. In other words, the rate of increase has been very different in those seventy years. Whereas France and Italy have increased by about one-third, or 35 per cent., Germany and Great Britain have nearly doubled—a 90 per cent. increase. Obviously,



THE GROWTH OF POPULATION, 1800-1910
 From *Historian's Scrapbook*, edited by R. S. Lambert.
 (British Institute of Adult Education.)

certain forces were at work causing this marked difference. The birth-rate is, of course, looked to at once, but it will not explain very much, for while the German birth-rate for 1871 was the highest of all—38.9 per thousand—and the French of 25.9 the lowest, the Italian rate of 36.9 was higher than that of Great Britain.

The death-rate sheds more light, for that of Italy—30·7—was also the highest, that of Germany being 26·9, with Great Britain and France almost equal at 24.

These figures show clearly how the sharp rise in population, which is the characteristic of the nineteenth century, affected all countries in fairly exact proportion to the speed of their industrialisation. They also show that this rise was not due to a phenomenal increase in the birth-rate, but to improved hygienic conditions which pulled down the death-rate. Professor Clapham points out, for instance, that the introduction of cheap cotton underclothing, easier to wash and to replace than woollen, caused a much higher standard of cleanliness to appear. Another interesting point is that the higher population rate corresponds to a higher rate in the increase of town population, and this seems to indicate that, in spite of overcrowding, town life is not necessarily less healthy than country life, and that, in fact, the nineteenth-century city was apt to be more hygienic than most eighteenth-century villages.

GROWTH OF TOWNS.—The relative increase of urban population stands out in all countries, though to a differing degree. The contrast is most marked in Great Britain, where townsmen had already become the majority—about 66 per cent. in 1871; in Germany the majority was still rural, but only by six to four; whereas in France the proportion was still about 70 per cent., in all other countries still greater. The rise of cities is very significant. In 1871 Germany already had eight cities over 100,000, Berlin having grown from 172,000 in 1800 to 826,000. Between 1850 and 1870, Paris, Lille, Marseilles, Lyons, Bordeaux had seen their population increase by 50 to 90 per cent. As to the increase of English towns, it is a familiar subject: we need only mention the rise of London from under 1 million in 1801 to well over 4 million in 1881, excluding an 'outer London' of another million; while many other English cities increased in the same proportion. The same facts can be expressed slightly differently, when we say that the percentage of the total population living in towns of 10,000 inhabitants and over increased, between 1800 and 1870, in England from 21·30 to nearly 50; in Prussia from 7·2 to 20; in France from 9·5 to 20; in Russia from 3·7 to 7·3.

These figures thus show not merely a general increase of population but deep changes in its distribution. Take, for instance, the change in the density of the population. The area of the United Kingdom is only three-fifths that of France; in 1801 so also was its population, but in 1871 it had become far

more thickly populated, while Belgium had become the country with the densest population. Further, within each country the

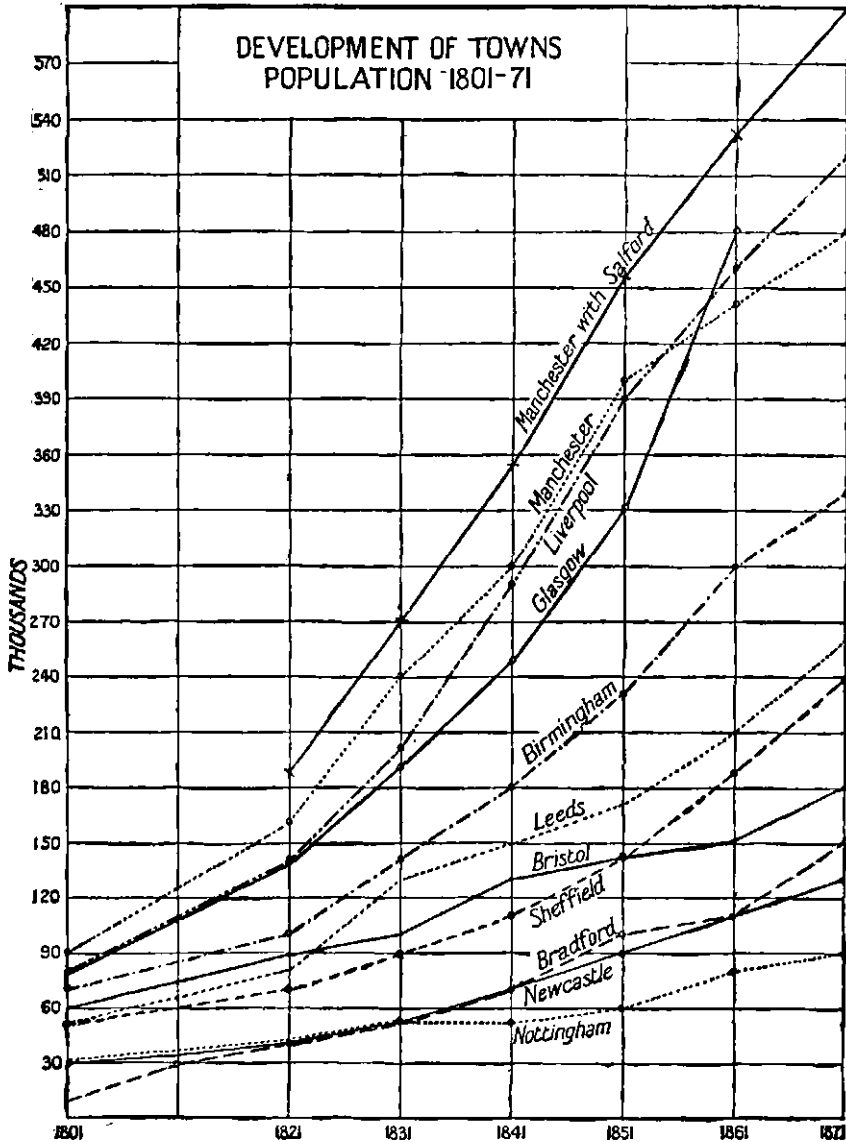


CHART SHOWING THE DEVELOPMENT OF TOWNS IN ENGLAND
 From Waters' *Economic History of England*.
 (Oxford University Press.)

incidence of population had shifted. Many an agricultural area showed no increase, or even a net decrease, whereas areas near mines or near important cross-roads increased considerably.

EMIGRATION.—Another new phenomenon in population study is that of emigration. In the main, industrialism failed to keep pace with population increases—that is to say, it failed to provide employment quickly enough for the new classes of would-be workers, and to absorb adequately those whom new machines or other labour-saving devices had thrown out of their jobs ; and even if it had not, the rapidly expanding United States of America seemed to provide better prospects. Another stimulus to emigration was the acute distress which series of bad harvests were apt to cause in agricultural areas ; in the old days there would have been famine, and probably many deaths : with easy transport and an open labour market across the Atlantic, emigration solved the problem.

It is calculated that at least 32 million people migrated from Europe to the United States during the nineteenth century, at a rate which steadily increased from about 30,000 a year in 1825 to 1 million in 1910. Of these the United Kingdom contributed some 5 million from Ireland, and several more million from England and Scotland : exact figures are difficult to obtain because of the number of continental Europeans who migrated to America via England. The German contingent rapidly rose from about 32,000 in 1847 to about 100,000 a year, culminating in a quarter of a million in 1882 (4·86 per cent. of the total population of the empire) ; the next year, 1883, saw the biggest British migration, some 320,000. Italian emigration was steady : by 1900 some 3½ million had emigrated, half to South America and a quarter to North America ; many to France. This rate, however, was to increase in the twentieth century, whereas from 1900 the tide from most other countries greatly slackened. Russian emigration had scarcely begun until 1887, and, although fairly heavy after that, was slight in proportion to the total population. French emigration always was a negligible quantity—not more than 300,000 between 1860 and 1914.

§ 9. THE ORGANISATION OF LABOUR

RIGHTS OF WORKERS.—While the improvement in the material conditions of the workers had been slight in comparison with the general rise in standards of living, their legal status had altered very considerably. In 1800, the worker was economically defenceless : the law of supply and demand alone regulated conditions of employment ; wages were bargained down to the lowest level of subsistence ; no check was put on the duration of work except the limits of physical endurance ; any attempt to use the weapon of union and organisation to improve workers'

conditions was held by law to be no less a crime than highway robbery.

By 1870 all this is changed. In every country a mass of legislation directs industrial organisation at every point. Children may not go out to work under a certain age, and in some countries must attend school until they have attained that age; women and adolescents may only work under certain clearly defined conditions; no one, young or old, may work for more than a certain limited number of hours; the buildings in which work takes place must fulfil certain conditions of hygiene and efficiency; and workers are free to combine to improve these conditions still further. Much still remained to be done along all these lines, especially along that of workers' associations, but it may be said that by 1870 all the decisive battles had been fought.

WAGES.—Not only were wages very low at the beginning of the century, but nominal wages were made all the lower by the prevalence of the 'truck' system, in which the worker was paid not in cash but in goods from the employers' stores, valued, of course, at a figure much higher than their real market price. The worker had either to consume these goods or sell his superfluities to a neighbour or shopkeeper at much less than the real value. 'In two years,' said a witness before the Framework Knitters Inquiry in 1845, 'all the money I received from my employer was sixteen shillings, ten of which I had of him to pay interest on pawntickets. I used to take a can of ale to the barber to get shaved with. I used to take my beef at sevenpence a pound and sell it at fivpence. Any bit of sugar or tea or anything of the kind my employer did not sell, I used to get from the grocer by swapping soap or starch.' The well-known Truck or 'Tommy' shop scene in Disraeli's 'Sybil' is borrowed directly from the Truck Commission Report of 1845. But by 1870 we may note, first, the complete disappearance of all truck payments, now absolutely illegal in all circumstances; next, the fairly steady rise of wages. Taking 100 as the basic wage in 1900, nominal wages seem, about 1870, to stand at 78. If this be compared with the rise in the cost of living, however, the figure should be about 60, or a shade higher, while it should stand at about 50 in 1850, and markedly lower earlier in the century. In other countries a similar rise in real standards of life, apart from nominal wages, can also be clearly discerned.

FACTORY LAWS.—Assured of honest wages (whenever employed), the worker could also now depend on comparatively satisfactory conditions of work, guaranteed to him by a mass of

factory legislation. Although the first Factory Law of all was, in fact, Peel's Act of 1802, which limited to twelve hours the day's work of apprentices, other countries tended to develop faster than England along that line. In France, for instance, no children under ten had been allowed to work in mines since 1813, whereas it was not until 1842 that this became forbidden in England. Night work for young people was stopped in France in 1803, in England in 1825, and even then only in cotton mills. The limitation of day work to eight hours for children below thirteen, and to twelve hours between thirteen and sixteen, was carried in both countries between 1833 and 1841. In Prussia the first Factory Act was passed in 1839, prohibiting all work for children under nine, and establishing a ten-hour day with no night work for children between nine and sixteen. A law of 1853, raising the entrance age into factories to twelve, and establishing a six-hour day for children between twelve and fourteen, was never enforced, but a Federal Act of 1869 made the law of 1853 effective and extended the law of 1839 to mines. The complete abolition of all labour for children under ten was carried out both in France and in England in 1874, in Germany not till 1891. The limitation of hours of labour for adults was to prove, of course, a slower business, but by 1847 a ten-hour day had become legal in English factories for women, and for men as well wherever men and women worked together; and in 1850 a sixty-hour week had become legal in textile factories. In 1867 this was extended to all factories and also to workshops. But there were still a large number of occupations in which workers were entirely unprotected—retail shops, for instance; and in most countries the limitation of adult labour hours had scarcely begun, and was not to make any appreciable headway for a number of years. The campaign for a general eight-hour day belongs to our next chapter.

OPPOSITION TO FACTORY LAWS.—What is extraordinary to our modern mind is the opposition aroused by the mild reforms just described. The prohibition of chimney-sweeping by children took years to establish, Bills being repeatedly thrown out in both Houses; one lord advised Parliament to leave such a question 'entirely to the moral feelings of perhaps the most moral people on the face of the earth,' while many of our grandmothers objected to the replacement of children by sweeping brushes on the ground that the latter would spoil their carpets.' Excellent men like Bright objected to factory laws as an attack on the right of the workers to dispose freely of their labour, and manufacturers found it 'most humiliating that the factory industry of a great

country should be compelled to seek to get rid of legislative enactments that ought never to have been passed.' A repeatedly used argument was that ignorant working people, children included, would not know how to use their leisure, and that any limitation of hours of labour would only lead to increased drunkenness and vice. Not only so, but the men themselves protested at first against being forbidden to work as long as they pleased, and against the loss to the family income from the disappearance of children's wages, not realising that it was the competition of their children's labour that kept their own wages down. Much factory legislation was, in fact, imposed upon the industrial classes by the combined pressure of a landed interest that was afraid of the growing competition of industrialism, and of the new forces of ethical humanitarianism which prevailed on the governing classes to make concessions that saved Europe from open class war.

EMANCIPATION OF TRADE UNIONS.—If much in this amelioration of factory conditions might seem to be a limitation of individual freedom, imposed on workers as well as masters, the breaking down of all restrictions of freedom of association as essential to a decent life was fought for by the former with bitterness and violence. By 1870 the essentials of the battle had been won; although Trade Unions had not as yet obtained all the legal rights which they claimed, their right to exist for the express purpose of improving industrial conditions had become definitely recognised. The aim of the struggle may be described as an attempt by the workers to shake the autocratic grip which the employers had been able to get on the new industrial system. It might have seemed at first sight that the Industrial Revolution with its enormous demand for goods, and therefore for labour, should have been a source of power to the workers. It proved to be the reverse, owing to a number of conditions. The worker was, nearly always, uprooted from his country home, isolated, uneducated; many were women and children; none of them, as we mentioned in an earlier section, had any 'second string to their bow,' in the shape of an alternative employment or a bit of land, in case conditions of factory work proved unendurable. Thus the workers were virtually helpless, unable to organise in self-defence, unused to any form of combination since the disappearance of the guilds and the development of the domestic system. Further, the new economy could scarcely expand except on an autocratic basis. The initiative and energy necessary to build up the new industries, and face opposition and competition, could scarcely come except from men used to

command, to whom it would never have occurred to run any business on 'democratic' lines. Unity of direction was essential, and they were bound to resist any attempts made either by the workers or by the State to interfere with their complete control of industrial conditions. Hence the disappearance of all remaining wage regulations, and the appearance of new combination laws. Any sharing of power with men's unions would have appeared to them unthinkable.¹

REPEAL OF COMBINATION ACTS.—The battle of Trade Unionism was mainly fought out in England, and went through five clearly marked stages. The first, from 1800 to 1825, may be described as an underground struggle for existence on the part of illegal but numerous unions in spite of laws which made combination a crime. This phase ended in 1824 with the repeal of the Combination Acts. Although the repealing Act was modified and limited in the next year, associations for regulating wages and hours of labour being again made illegal, the mere fact of association for mutual benefit or discussion was no longer a crime; numerous unions sprang up, whose agitation for political reform as the essential condition of industrial freedom, in close association with political organisations, marks the second stage, from 1825 to 1834. A number of more or less short-lived organisations appeared, including the Grand General Union of all the Operative Spinners (1829), the National Association for the Protection of Labour (1830), and the Grand National Consolidated Trades Union (1834), each erected on the ruins of its predecessor. A series of abortive strikes discouraged the leaders, and the condemnation to seven years' transportation of seven Dorsetshire labourers, the 'Tolpuddle Martyrs,' considered as 'conspirators' for having formed a mock secret society to obtain a shilling rise in wages, dealt unionism a blow from which it took many years to recover.

'NEW MODEL' UNIONISM.—The third phase, from 1840, was marked by what were termed the 'New Model' unions, formed mainly among skilled operatives for strictly professional purposes and not directly linked with any political propaganda. The miners associated in 1841, the printers in 1844, the amalgamated engineers in 1850, the cotton spinners in 1853, the tailors in 1866. A number of unions federated in 1845 as the National Association of United Trades for the Protection of Labour, and some years later the London Trades Council became virtually the recognised spokesman for the Labour Movement. The aim was

¹ This last point is elaborated in Peel's *Economic War*, chap. v.

now to remove the restrictions on complete freedom of Trade Union action, which meant obtaining the right to strike and the right to possess funds, and so to organise labour as to make it impossible for the employers to obtain adequate 'blackleg' labour outside the unions. A judicial decision of 1866, which declared all unions to be still technically illegal, made public opinion realise the need for new legislation—and closes this fourth stage; the fifth and last stage opens with the appointment of a Royal Commission, and in 1871 a Trade Union Act gave unions legal existence and complete protection for their funds, while maintaining the restrictions on striking and peaceful picketing. It was to take another five years for this limitation to disappear, and much was still to be done before all trades were organised and unions had become integral parts of the industrial machinery, but in the world of 1870 the very conception of workers' combinations as illegal had become practically unthinkable.

FRENCH AND GERMAN TRADE UNIONISM.—The French Union Movement also went through clearly marked stages. From 1789 to 1834 was a period of illegal activity sometimes winked at by the authorities, sometimes ruthlessly suppressed, both Revolutionary and Napoleonic legislations being hostile to all associations for whatever purposes, and prohibiting all associations of over twenty persons. In 1823, however, Paris had 132 unions with 11,000 members, mainly organised as benefit societies. In 1834, after a number of violent demonstrations, came violent repression and, apparently at least, temporary extinction. Then after 1840 followed a revival of unionism, largely political in character, culminating in the revolution of 1848, when the workers took a great share in the overthrow of the monarchical régime; and the official recognition by the Republic of the right to work seemed about to open a new era in working-class emancipation. But these hopes were soon shattered by the failure of the 'National Workshops,' and the open hostility of the middle-class Republican elements, whose fear of the workers was one of the main factors in the accession to power of Napoleon III.

While sympathetic to working-class aspirations after better conditions, the new emperor was as fearful as his uncle of all groups that might challenge the sovereign power of the government; to him and his supporters the worker was a perpetual minor, whose welfare must be sought, but who did not know what was really best for him and must not be entrusted with any power. After 1860 a slightly more liberal policy began to prevail, and a certain amount of working-class activity was tolerated, until

in 1864 the Combination Acts were repealed, making strikes no longer illegal; four years later 'toleration' became officially allowed, so that, although full legal freedom only came in 1884, Trade Unionism was virtually free by 1868. The economic liberty of workers remained, however, curtailed by the obligation to carry about a worker's book, in which all particulars of each job, causes of departure, etc., were kept, and without which no employment could be obtained. This restriction was not abolished until 1890.

The same year, 1868, had seen the beginning of German unionism, some unions being founded in that year by the Socialist leader Lassalle. But the German workers had no great liking for organisation, and such unions as there were were far more political than industrial bodies. Generally speaking, continental unionism was always more closely connected with Socialist parties than the more strictly professional English Trade Union Movement.

OTHER FACTORS IN WORKERS' EMANCIPATION.—Factory legislation and Trade Unions may be described as the main direct economic gains of industrial workers during our period, but a number of other factors must be mentioned as having contributed largely, if indirectly, to the improvement of their condition. The extension of political rights is the first: general adult suffrage existed in France since 1848; it was about to be embodied in the German Imperial constitution; the industrial working class in England had been enfranchised with few restrictions in 1867. In almost every country democratic suffrage was either established or, as it were, just round the corner.

Scarcely less important was the spread of popular education. On the eve of the French Revolution education was, in all countries, concentrated in the hands of the Churches, who used their endowments, more or less generously, for the provision of education to certain elements in the population. But by 1870 there were few countries of Europe that did not possess at least the rudiments of a national system of education, capable of virtually indefinite extension. In France, the State had built up a complete system of secondary schools, while elementary education was shared between State and Church; in England, the Church was still the dominant partner, but the State was taking over the responsibility wherever the Church was not capable of meeting the demand for increased facilities. Germany (especially Prussia), Belgium, most of the cantons of Switzerland, Holland, the Scandinavian countries, all provided primary education available to all.

Thus, in 1870, few children whose parents wished them to be educated needed to remain illiterate. It is true that in most countries school attendance was as yet neither compulsory nor wholly free, and that certain remote rural areas were still short of adequate educational facilities; but in the main urban illiteracy had disappeared in western Europe, and rural illiteracy was fast disappearing. What this meant in the growth of political consciousness and in capacity to organise for the defence of professional rights hardly needs explaining. Nor must the development of a cheap press be overlooked as a powerful agent in the education of the working class and its personal consciousness.¹

§ 10. INDUSTRIALISM AND THE RISE OF SOCIALISM

THE TRIUMPH OF INDUSTRIAL CAPITALISM.—The chief characteristic of the period we are now considering may thus be described as the definite triumph of industrial capitalism. It has triumphed in two ways: first, in that practically all important industrial production is now organised on capitalistic lines; secondly, that industrial capitalism tends to be the dominant partner of the three forms of capitalism—financial, commercial, and industrial—that we have distinguished in this study. As Dr. Knight says: ‘If the term Industrial Revolution is to continue in use, the safest and most constructive meaning to put upon it is the shift from the earlier domination of industry by commerce to the domination of commerce by industry. We start with a predominantly commercial organisation of business, and large-scale industry develops with the expansive and intensive development of national and international markets.’

The universality of capitalistic organisation scarcely needs explanation. It does not mean that certain industries were not still conducted on the domestic system, or that hand-work had altogether disappeared; but it did mean that all large-scale production was carried on in factories with the help of machinery; that the laws of a capitalistic market controlled even such production as was carried on under other conditions, and that all restrictions on a capitalistic organisation of society had

¹ ‘In comparing the nineteenth century with earlier periods, it must be remembered that it was during this period that the mass of the people became in some degree articulate. We know nothing, or hardly anything, of what the peasant thought of his lord, or the mediaeval porter of the rich merchant. Their bitter comments died with them. Not so the complaints of the Industrial Revolution; they survive in innumerable newspapers and pamphlets’ (Buer, *Health, Wealth and Population in the Early Days of the Industrial Revolution*, p. 240).

disappeared ; neither ethical nor religious nor traditional considerations were now allowed to impede the free sway of the law of supply and demand, labour being considered as one among other commodities. As Weber says : ' Capitalism alone produced an entirely rational and commercialised organisation of labour ; it disintegrated the primitive fixity of the economic system ; it substituted science, rational law and natural ethics for the old system.'

Must we abandon or retain the term ' Industrial Revolution ' ? We have tried to show so far the gradual evolution of economic life and organisation, and it is essential to remember how every stage in development comes out of the preceding stage and prepares the next. But we agree with Mr. Fay that ' We must not work evolution too hard. If we take our stand at the end of the nineteenth century, we are justified in saying that in the course of the century there occurred, first in one industry, then in another, a revolutionary change of structure and personal grouping.'

The revolutionary character of these changes is perhaps seen most clearly in a brief study of the economico-political thought of the period we have been surveying. This thought falls into two clearly distinct categories, the individualistic, mainly of middle-class inspiration, and the socialistic, which, even when formulated by writers of middle-class origins, claims to put forward the interests and outlook of the new class of industrial workers.

ADAM SMITH, BENTHAM AND INDIVIDUALISM.—The first is merely the continuation and the fuller application of the principles of *laissez-faire* which had been stated in 1776 by Adam Smith and by his contemporary, a lawyer named Jeremy Bentham. The influence of these two men and their disciples was well-nigh incalculable : to Adam Smith we owe Free Trade and *laissez-faire* in economic life ; to Bentham and his disciples practically all the political and social reforms of the nineteenth century. The removal of abuses and of privileges, the breaking down of restrictions on personal freedom, are obviously in the individualistic tradition.¹ Other reforms, such as factory laws, were defended on the ground that, although they seemed to interfere with the freedom of employers and employees, they really removed inequalities of status and ultimately made the worker more, not less free. But, important as it was, Benthamism did not constitute a break-away from previous systems of thought ;

¹ The abolition of slavery and of the Combination Acts, the extension of the franchise, the reform in the Poor Law, in municipal and legal administration, are all of them directly traceable to the influence of Benthamism.

it assumed the possibility of improving indefinitely the existing political organisations, and did not question the soundness of the system by which wealth was produced and distributed.

NEW SOCIALISTIC THEORIES.—The essential feature of the various theories which appeared in the nineteenth century and which we term 'socialistic' is precisely that they questioned all the assumptions on which the system rested. They denied that it could be reformed to any appreciable extent; they urged the necessity for a complete remaking of economic organisation. They all started from a double assumption: first, that it failed to distribute equally or fairly the goods yielded by the machinery of production, so that the poverty of the many was a necessary consequence of the prosperity of the few; secondly, that these inequalities created an irreconcilable conflict of interest between the employers and the employed, between capital and labour.

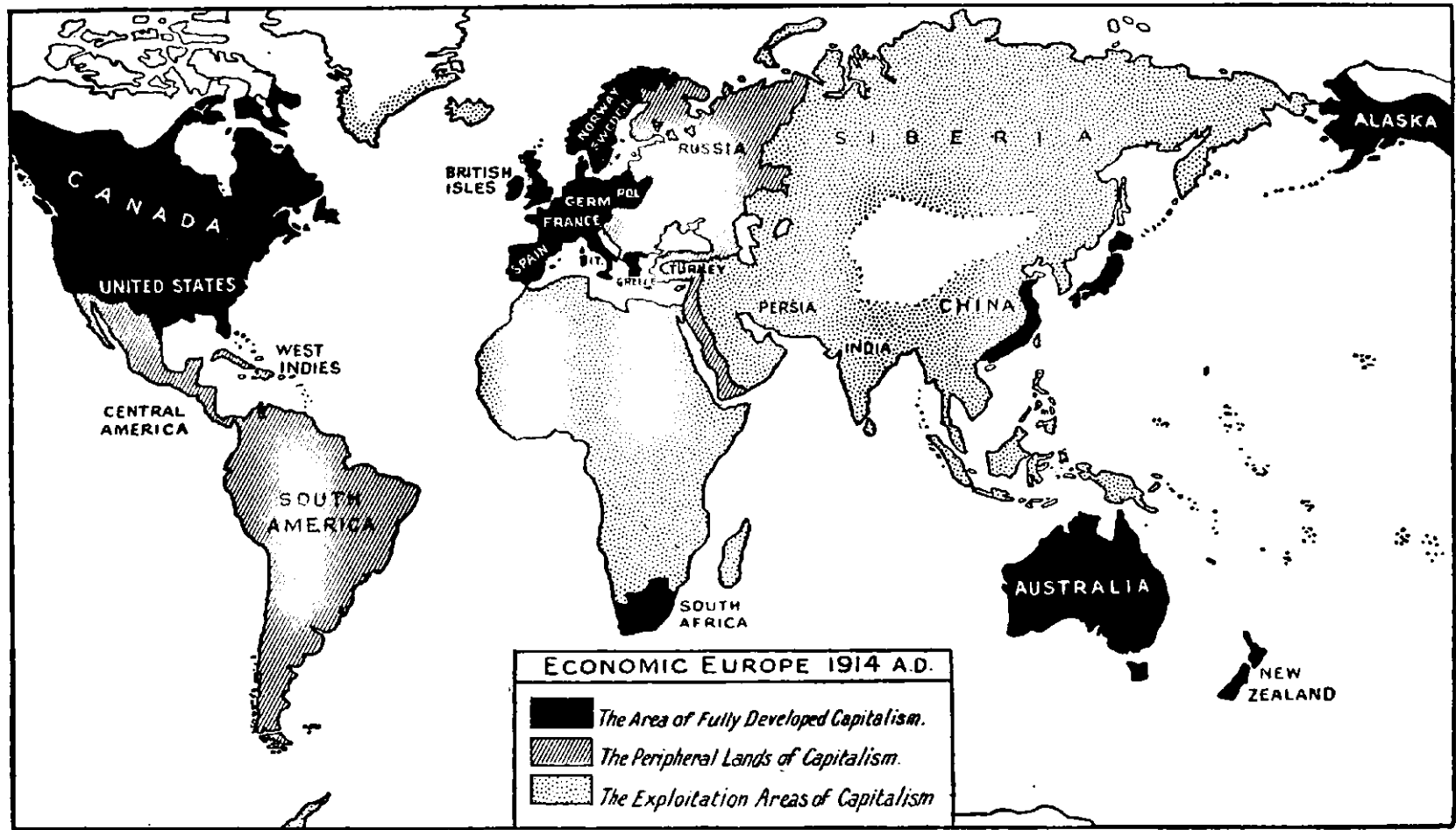
United in criticism, the writers of the new school did not agree in construction, and there is little in common between the sentimental Utopianism of Saint-Simon and Róbert Owen and the ruthless revolutionary doctrines of Marx;¹ in fact, conflicts between Socialist groups form an essential element in the history of the European Labour Movement. But the important fact from our point of view, which is not that of the historian of political ideas, is the general influence exercised by them on the workers. In the main, this influence can be summarised as follows: First, a sense of class-consciousness, with distinct interests, outlooks, ways of life; what may be called the consciousness of belonging to the property-less proletariat, as opposed to other economic classes which own some amount, however small, of permanent property—a shop, a bit of land, shares in some industrial undertaking. Secondly, a sense of solidarity with members of one's class, not only in one's own country but in others as well, which Marx summed up in the famous phrase 'Proletarians have no fatherland.' Thirdly, a sense of revolt against the existing order, varying according to circumstances from vague dissatisfaction to violent action. Fourthly, a sense of hope for a better and more equitable order of society.

By 1870, of course, all this was still very vague and incoherent. All the essential points in the new doctrines had been proclaimed, and later writers were to do little more than correct, expound and apply them to changing conditions; but the principles of Socialism were as yet consciously held by very few, even among

¹ Socialist thought as a *continuous* stream of ideas, which each subsequent writer adapted and corrected but took as his starting-point, begins with Saint-Simon's *De l'Industrie*, published in 1817. Marx's *Capital* appeared in 1861.

the workers ; no parties existed sufficiently powerful to be represented in the existing Parliaments,¹ and it was only in the Trade Union world that the new ideas were expressing themselves in actual policies. But a definite break had occurred with the hitherto prevailing systems of thought and organisation, of which the most characteristic symptom was the growth of this distinct class-consciousness on the part of the industrial workers. It is this new feeling of separateness which, for good or evil, forms perhaps the sharpest contrast between the beginning and the end of the nineteenth century.

¹ The Socialism which played a part in the French Revolution of 1848 was altogether too vague to have a constructive programme ; its failure was one of the chief reasons for the set-back experienced by the Socialist movement in the fifties and sixties.



EUROPE IN 1914

Adapted from Nussbaum's *History of Economic Institutions of Modern Europe*.

CHAPTER VII

THE PRESENT AGE

I. 1929 OR 1934 ?

READJUSTMENT OR REVOLUTION?—A survey of the world of to-day should be a description of the world in the autumn of 1934, when these lines are actually being written. But the difficulties of drawing such a picture are evident. In the first place, conditions are changing so rapidly that the description would probably be out of date by the time this book is in readers' hands ; in the second place, we are in a state of crisis, and our description of this crisis would inevitably depend on its interpretation. Are we nearing its end, as some believe ? Will the years 1929 to 1934 or 1935 appear to future historians as a mere episode, a fluctuation in the trade cycle, more acute perhaps than various fluctuations, but still only a fluctuation ? Is this merely a temporary disturbance, during which our economic organisation is adapting itself, somewhat painfully, to new circumstances ? If that is our point of view, we shall naturally stress what may be termed the permanent factors of present-day conditions, those features of the system which, while somewhat different from what it was in 1870, represent progress along the lines already laid down at the time ; we shall ignore the catastrophic and startling, but (in that case) temporary accidents of recent years.

If we believe, on the contrary, that the crisis of to-day is but the beginning of a new revolution which is the break-up of the capitalist system ; that conditions will get worse until some new system is set up, probably in great confusion and distress—then our analysis will inevitably concentrate on those new catastrophic features which the former analysis would leave out, and ignore, on the other hand, those legacies of the past which would be only survivals with no real life or impetus of their own.

Our analysis would, in other words, differ radically according to our selection of the term ' readjustment ' or of the term ' revolution ' as a correct explanation of the present situation. But the choice between those two terms depends on so many factors,

raises such a host of technical and of controversial issues, that, whichever we adopted, we could not hope to convince all our readers. Instead of drawing what is (we hope) an impartial picture, we should be writing a propaganda pamphlet. We have therefore decided on the easier course of taking as our last vantage point modern Europe on the eve of the disturbed period in which we are now living, namely, in the year 1929.

'NORMALITY' OF 1929.—That year 1929 is usually called the last 'normal' year. By this is meant that, by that year, the world seemed to have recovered, on the whole, from the economic consequences of the war, or at least to have settled down into what we may describe as apparently permanent post-war conditions. The material destruction brought about by the war had been made good; the devastated areas of the Western and Eastern fronts had been repaired; former battle-fields rebuilt and mines reconditioned; disorganised currencies had all become reconstructed and stabilised, thus re-establishing normal international exchanges.

The loss of life, however tragic, was by its very nature not a permanent phenomenon¹—it is calculated that by 1923 the population of Europe was back to its pre-war total, though of course it would normally have increased in those ten years. This arrest in the increase of European population was, in fact, only a temporary accentuation of a world-wide phenomenon, already noticeable before the war, namely, a sharp check in the rapid increase of population which had characterised the nineteenth century. The same is true of the creation of new tariff barriers and the artificial stimulation of industries in the newly formed states: this only intensified previously existing tendencies and policies.

On the whole the Great War had mainly hastened the progress of forces already clearly discernible in the early years of the twentieth century; it had only speeded up economic change. By 1925 its destructive and disorganising effects had been largely repaired; 'from the depths of depression and disorganisation in 1919, when whole populations were menaced by food shortages, there was a remarkable advance to the high level of prosperity after 1925,' says the League of Nations World Economic Survey for 1932. 'Currencies were stabilised, international trade was resumed, and production restored. For some years, particularly after 1925, it seemed as if the major problems of reconstruction

¹ War losses are calculated at 10 million killed and about the same number dead of disease and famine—a total of 20 million (mostly Europeans) out of a total European population of 450 million.

had largely been solved. The years 1925 to 1929 were on the whole years of considerable and widespread prosperity. Prices were practically stable, production and trade developed rapidly, and many of the characteristic phenomena of an industrial and investment boom began to appear.'

1929 AND 1872.—Taking therefore the year 1929 as our next point of vantage, what features mainly distinguish the economic world of that year from that of our previous survey in 1870? There is now no need to bring in a mythical Roman to make comparisons; thousands of penetrating observers, alive in 1929, had sufficiently clear personal recollections of the world of 1870 to give us a very complete and accurate picture. The main points can be summarised under three main headings: first, the steady growth of industrialisation and mechanisation over the greater part of the world, and all this process implies in the various departments of economic life; secondly, the rise of new economic powers and the subsequent loss by Great Britain of her industrial and commercial supremacy; thirdly, a deep-seated sense of insecurity due to the Great War and its economic and political legacies.

II. AN INDUSTRIALISED WORLD

§ I. INDUSTRIAL EXPANSION SINCE 1870

The great and obvious phenomenon, which strikes at first sight the most casual observer, is the enormous increase of industrial production during the last half-century. At the time of our last survey, Great Britain was the only country in which industrial production, as against agricultural, had become the dominating occupation; by now, not only have a whole number of countries become predominantly industrial, but productive capacity has so enormously increased that what in 1870 would have seemed an enormous output is now but a fraction of what a modern country can produce. One instance will suffice: the total production of pig-iron in Great Britain in 1860 was inferior to that of Belgium at the present time.

WHAT IS INDUSTRIALISATION?—The term 'industrialisation' covers, in fact, a number of economic and social phenomena. Industrial production has only increased partly as a result of an increased productive capacity due to the invention of new methods and of new machinery. These inventions (as all

inventions) are not so much the cause as the result of a steadily increasing demand for goods, which in its turn became stimulated by the ease with which it could be satisfied. An increasing population needed more goods; a more educated, more civilised population raised its standards of living and needed more things; the steady rise of nationalism made each nation anxious to produce to its maximum capacity, so as to be independent of others. In a word, large-scale industrial production by machinery, which half a century ago was limited to Great Britain and, on a much smaller scale, to a few countries of western Europe and to the eastern fringe of North America, has spread so much that no European country is wholly free from it, that a great part of Asia and most of America is in its grip, and that there are few parts of the world where machine labour is not increasingly used. 'Mechanisation,' says Mr. Cole, 'moves on faster and faster towards a goal that seems to be nothing less than the complete elimination of man's physical strength as a factor in the productive process. "From coal-heaving to button-pressing" seems to sum up the industrial Odyssey of the modern world.'

NEW DEVELOPMENTS IN INDUSTRIAL PRODUCTION.—Increased productivity and mechanisation do not tell the whole story. Our previous chapter was entitled 'The Age of Coal and Iron'; and this chapter might easily be called 'The Age of Electricity and Petrol.' The coal-fed steam engine is being replaced by the electric dynamo; many railways are becoming electrified; the railway itself is being hard pressed in many areas by the petrol-driven motor bus; the oil-fired steamship is superseding the coal-driven steamer, and the 'motor ship' using Diesel internal combustion engines will soon drive out the steamer. Nor is this all. New metals, new chemicals, new processes, new machines are daily replacing what was twenty years ago the last word in human progress. We need only mention (aluminium, artificial silk, synthetic dyes, nitrogen obtained from air, wireless sets and aeroplanes, to show what a different thing industrial production is from the days of coal and iron.) Statistics show that between 1920 and 1926 there was a sharp fall in profits in coal, metallurgy, engineering, cotton, wool, and shipping, but a sharp rise in profits in electric supplies, chemicals, and soap.

NEW TRANSPORT FACILITIES.—Among the chief consequences of industrialisation we may note, first, an enormous increase in the total trade of the world, and therefore an enormous development of transport facilities. Thousands of miles of railways have been built all the world over; ships have grown in size and

1492.
Columbus 70 days.



1800. Sailing Ship, 40 days.



1838. First Steamer, 15 days.



Present time. Steamer, 5 days.



Airship, 3 days.



Aeroplane, 2 days.



AMERICA. EUROPE.

Each wave = 1 day's journey.

number, so that passengers and goods have the choice of many routes to almost any destination ; the motor bus and the motor lorry have revolutionised travel in areas not yet touched by the railway ; the aeroplane, still in its infancy, is annihilating distances. Nor must we omit a reference to the development of telegraph, telephone and wireless.

Most of the social and economic consequences of easy transport are so obvious that they scarcely need enumerating ; but one special aspect deserves mention here. When transport was difficult or expensive, the industries of any area were limited by those raw materials which could be easily obtained locally, and by their proximity both to sources of power, especially coal, and to possible markets. These limitations no longer operate, now that coal and raw materials of all kinds on the one hand, and finished articles on the other, can be easily shipped to and from any corner of the globe. Thus almost any country can organise its industries for a world market.

THE STRUGGLE FOR MARKETS.—The next important consequence of industrialisation lies stated in the last sentence. Many countries *have* arrived at the stage of producing goods for world consumption, and the result has been a fierce and intense international competition for markets.

The essential fact to bear in mind is that, under the present system of distribution at least, the productive capacity of most industrialised countries is greatly in excess of the internal absorbing capacity of that country. Of course, this 'absorbing capacity' must not be confused with real need, the limits of which have nowhere been reached. As long as there are in England people who suffer from cold, the English market for clothes and coal is not really satisfied ; but if those people cannot afford to buy this coal or clothing, then some other market must be found for them outside England, or production must stop. Thus, every country found itself searching for new markets as soon as its productive capacity exceeded the limits of the internal demand, especially if that country had to sell manufactured goods abroad in order to purchase raw materials.

ECONOMIC IMPERIALISM.—The competition for markets took two closely related aspects—economic Imperialism and protectionism. By economic Imperialism we mean the policy pursued by all industrially expanding nations in order to secure the control of hitherto undeveloped areas, hoping to obtain from these areas raw materials on cheaper terms than other countries, and especially to secure in them a monopoly market for their

goods. Naturally, Great Britain was the first in the field, since her productive capacity was so far ahead of all others, but she was soon followed, and before the Great War there were few among the less developed parts of the world which were not within the sphere of economic influence of some more powerful country. We are, of course, not concerned here with the political consequences of this economic Imperialism. As a matter of fact, economic Imperialism did not always lead to political control; commercial treaties, loans and investments, especially for railway construction, often sufficed to deprive an area or country of any real economic independence. Nor need we pass a moral judgment on Imperialism; the evils of the economic exploitation of backward races have been abundantly and deservedly condemned; but two important elements need to be stressed: the first, a sincere belief that material civilisation was so great a good that it was worth forcing it on people who did not want it because they did not realise its benefits; the second, a genuine fear that raw materials, food-stuffs, etc., of which the industrial world had an urgent need, would be wasted or left undeveloped if allowed to remain under the control of primitive peoples ignorant of their real value.

PROTECTIONISM.—The other essential reaction of industrialism looking for markets was that of protectionism. That, of course, was nothing new, and was only in effect a continuation of the mercantilist policy followed by most countries since the seventeenth century. Tariff walls and wars have become an integral part of modern economic development; although they were universally denounced as barriers to trade and to international co-operation, no important country has seriously considered their removal: on the contrary, Great Britain, still mainly a 'free imports' country in 1929, was to turn protectionist two years later.

It is important to note, however, that in 1929 this twin policy of economic Imperialism and tariff protectionism was fast approaching a complete deadlock. Possible markets had all been annexed; some of them had reacted and learnt the lessons of industrial expansion at the expense of their former masters, as witness the development of the cotton industry in India. No new worlds seemed left for economic conquest. Protectionism was also reaching its limits: everybody wanted to export, no one was willing to import—an obviously impossible situation. And yet, under the existing distributive system it seemed impossible to expand existing markets, whether at home or abroad.

§ 2. FORMS OF INDUSTRIAL ORGANISATION

THE GOLDEN AGE OF CAPITALISM.—The period we are surveying will probably stand out in economic history as the highest point of the capitalistic organisation of industry. By this term 'capitalistic' we mean something neither good nor bad in itself, but simply the fact that practically all industrial production is carried on by companies, large or small, who have borrowed capital from shareholders who expect a return on their investment and appoint the managers of the enterprise—directors, secretaries, technical advisers, etc. The workers employed are employees who have no share in profits and no control of any kind over the policy of the undertaking. The community as a whole exercises no control—as long as the work is not carried on fraudulently; investments can be made in any direction, whether socially useful or not, success in profits-making being the only criterion. Neither prices nor profits nor wages are (with rare exceptions) regulated by law; Trade Unions may exercise some pressure, but they are also private bodies, and, in theory and in law at least, no undertaking is bound to employ Trade Union labour. The system rests upon the assumption that in the long run unfettered private enterprise will achieve the best results for the community as a whole.

It is interesting, from this point of view, to note the complete disappearance of the various organisations for economic control set up during the war by the various belligerent governments. Railways and mines had been virtually nationalised; the whole of shipping had been placed under an inter-allied board of control; the whole of the Australian wool crop had been bought ahead and put in charge of a wool distribution committee; the same was done for cotton, sugar, meat, oils, fats, wheat; all foods were rationed; in many cases wages and prices were regulated. But these restrictions on private enterprise, reluctantly accepted as a war-time necessity, could not be maintained after this necessity disappeared.

Another way of indicating what is meant by modern capitalism—which has been happily defined in this conjunction as 'the application of savings to large-scale industry'—is to see what proportion of wealth is invested in industry as opposed to other possible investments. In Great Britain in 1929, of the £524 million which changed owners owing to death, only 3·78 per cent. was in land, and 11·96 per cent. in house property. Another 20 per cent. was in cash, trade assets, household goods, insurance policies, etc., leaving no less than 65 per cent. in industrial

securities, stocks and shares, etc. This proportion is, of course, exceptionally high in an industrialised country like England, but it indicates significantly the enormous predominance of industrial as opposed to other forms of wealth.

TENDENCIES TOWARDS INDUSTRIAL CENTRALISATION.—Within the system we may note the tendency towards centralisation and consolidation. The more industrialised a country, the more are small undertakings either bought out or driven out by the presence of big firms. ‘Combines’ are tending to control whole industries, often in several countries. The United Kingdom Soap Manufacturers Association, for instance, controls 80 per cent. of the total output of soap in that country and has completely eliminated competition in soap prices throughout the land; and 90 per cent. of the Association’s output is controlled by the Lever Combines. The Glasgow firm of J. and P. Coats controls virtually the whole of the British sewing cotton and thread industry, and Imperial Chemical Industries the British chemical production. The world output of oil is largely shared between the Standard and Royal Dutch Shell groups, that of matches between the Imperial Match Company and its partner, the Swedish Match Company.

Closely resembling the combine are the cartels on agreements between independent firms to regulate supplies and prices of various goods. For instance, German, Belgian and French steel manufacturers have agreed not to exceed a certain fixed total output at a certain minimum price. Finally, we may add the tendency for firms to control the whole of the processes connected with their production. Piano-makers will own the forests from which pianos are made; chocolate and biscuit makers will have box-making factories, printing works, cocoa plantations, wheat fields, and sometimes make their own machinery. The Stinnes Steel-Coal Trust controlled, soon after the war, 1388 undertakings, including electric supplies, ships, mines, oilfields, forests, and banks. The same tendency to concentration is, of course, to be noted also in the sphere of distribution. Multiple stores, with branches in every town or village, are tending to supersede the local shop. The concentration of banking, especially in Great Britain, is another illustration of the same trend of policy.

CHALLENGES TO PRESENT-DAY CAPITALISM.—We said at the beginning of this section that the present time—or rather the year 1929—will probably represent the highest point of the capitalist system as it developed in the nineteenth century. Its most ardent defenders admit that it is beginning to undergo a number of

modifications from within, and of attacks from without, which are likely to alter profoundly its real essence in the years to come ; and events since 1929 have strengthened these tendencies. We shall briefly enumerate a few of these. First we may note the tendency to place under some form of control all undertakings that supply an essential need, of which they have a virtual monopoly. The providing of gas, of electricity, of water, of telephones, of railway and motor transport, is either nationalised, municipalised, or only carried on by private companies under strict restrictions ; and the sphere of these ' public utilities ' is likely to become considerably enlarged in the near future.

A second feature is the tendency for the State to interfere in deciding the directions in which new capital is to be invested—prohibiting investments of doubtful social utility, so as to deflect capital into channels of greater importance. Thirdly comes the pressure from the labour world. Trade Unionism is tending to demand a greater share of control over industrial conditions, and few great industries can ignore this force. If existing tendencies continue to develop, some division of policy control between shareholders and employees may become a feature of the industrial system. The last, and most serious danger to the existing order, is probably its growing inability to provide employment and a livelihood for millions of workers.

THE CORPORATE STATE.—From the general instability and insecurity which this unemployment involves, has come a twofold challenge to the present industrial system, to which only a brief reference can be made here. The first is the policy expressed in the Italian and German ' Corporate States ' ; which aims at regulating the economic functions of each citizen by giving to each group and class its proper place within the State. The State is thus made ultimately responsible for the general planning of the national economic life, and this eliminates any justification or excuse for class war, strikes, lock-outs, etc., all problems being solved by compulsory arbitration. Assuming the complete impartiality of the State in industrial disputes, the system, when fully established, might indeed prevent the antagonisms of employers and workers from ever coming to a head, but it cannot, of course, secure employment where unemployment is due to the disordered conditions of world trade. The Corporate State does deny, however, the basic assumption of private enterprise, in that it asserts the right of the State to control any aspect of economic life if it thinks it wise to do so in the interests of the community, although so far this interference has amounted to very little.

THE COMMUNIST STATE.—Far more drastic is the challenge to capitalism that has come from Soviet Russia. The economic policy of the new Communist State has varied considerably from time to time, and the original aim of completely eliminating all private enterprise has only been partly achieved. Russia's political and economic experiments have excited so much controversy and roused so many passions that it is very difficult to obtain an objective view of her present industrial organisation, and of the success of the famous 'Five Year Plan' of industrial development. Russia has attempted to mobilise all her productive forces under a centralised economic control. Generally speaking, each separate industry forms a 'national combination,' which comprises a number of 'trusts,' linking together groups of factories engaged in the same branch or division of the industry in more restricted areas. Some industries of secondary importance are organised on a regional, some even on a strictly local basis. Factories run for private profit have been eliminated; there are about a hundred enterprises, mainly leased to foreigners, and about the same number of foreign firms and banks, operating under concessions allowing profit-making; these are under strict government control, and the total output of concession enterprises did not amount, last year, to 1 per cent. of the total industrial output of the country.¹ Trade with abroad is entirely a Government monopoly.

There seems to be a fairly widespread consensus of opinion that while the problem of producing essential necessities seems largely solved, there are still shortages of many important articles, and the problem of distribution remains very serious. Transport is very inadequate, the distributive machinery is slow and cumbersome, and only the patience and the unlimited belief in the future of the Russian people enable them to put up with the imperfections of the system. If, however, these imperfections can be gradually removed, and if it appears that Russia has indeed stopped all danger of unemployment, then the challenge of her non-competitive, non-profit-seeking system would be bound to appeal to the industrial proletariat of the West. The problem of capitalism would be its ability so to transform itself as to give its workers the same security as would then be found under the Soviet system. That, however, is perhaps looking rather too far ahead.

§ 3. LABOUR IN THE INDUSTRIAL SYSTEM

The growing predominance of industry in modern society has brought about great changes in the position and power of industrial

¹ Chamberlin, *Soviet Planned Economic Order*, p. 81.

workers. In 1870 they were, as a mass, unorganised and without effective political influence. In England, France and Germany alone of the major countries of Europe did they possess a vote and a right to organise. Now organised industrial workers form one of the greatest of forces in the European world.

GROWTH OF TRADE UNIONISM.—The story of the liberation of the workers from the various laws that prevented them from 'combining' for higher wages or better conditions of labour need only be given in the briefest outline. The English law of 1876 had not only legalised trade unions but recognised the right to strike by allowing 'peaceful picketing'—that is, by acknowledging the right of strikers to persuade their fellow-workers to join them in the strike, as long as no violence was shown. Thirty to forty years later, a number of supplementary Acts were passed at a time when the Liberal ministries, in power between 1905 and 1915, were anxious to secure the trade union vote; these Acts freed the unions from legal responsibility for damages done by individual members during strikes, and recognised their right to raise a 'political levy' for the organisation of political campaigns in or out of Parliament.

In Germany trade unionism was hampered until 1890 by Bismarck's anti-Socialist laws, and even after that date agricultural labourers, seamen and domestic servants were forbidden to form unions; but the Imperial Industrial Code of 1890 expressly legalised strikes for strictly economic purposes. French trade unions were definitely legalised in 1884. Both German and French trade unionism were, however, weakened by internal divisions, the Catholic unions never fully co-operating with the non-religious, more political associations. Up to 1914 it may be said that the trade union movement had made a steady, often a rapid, progress, in all Western industrialised countries. It is unnecessary to load this paragraph with statistics, as effective trade union membership was not necessarily an accurate index to the real strength of the workers' movements. What is more important is to note that the Socialist parties, which, after 1890 especially, were becoming active in most countries,¹ were in close connection with the trade union world, being in many cases the direct creation of trade union organisations.

THE LABOUR MOVEMENT SINCE THE WAR.—The enormous demand made by the war on the industrial machine gave Labour movements in all countries a sharp impetus, which was helped

¹ In 1914 the Socialist or Labour parties numbered 131 Members of Parliament in Germany, 105 in France, 80 in Austria, 79 in Italy, and 42 in Great Britain.

by the industrial boom of 1919-20 ; as a result, trade unionism obtained a number of fresh advantages, and Socialist parties began to play a dominant part in politics. The bad times which followed the boom caused a sharp reaction and weakened a movement which largely depended for its success on a heavy demand for industrial labour. In Great Britain especially, the failure of the so-called 'General Strike' in 1926 led to legislation which sought to restrict the political activities of unions, and to limit them strictly to the industrial sphere. In Germany inflation and unemployment had greatly weakened all workers' organisations ; in Italy the success of Fascism had dealt a serious blow to left-wing Labour ; and the very success of Communism in seizing power in Russia had tended to split Western Labour parties into pro-Russian and anti-Russian groups. In the main, trade union statistics seemed to stand, in 1929, much where they were in 1914. But in spite of recent losses, and of the difficulties of the economic situation, organised labour remained a formidable force, able to exercise at least a heavy pressure on the community.

IMPROVEMENT IN WORKERS' CONDITIONS.—The advance made by the workers as a class during the last half-century will best be illustrated by a brief enumeration of the existing laws which protect the industrial workers—none of which were in existence fifty years ago. Apart from the complete freedom of trade union activities, we may mention : First, an enormous mass of Factory Laws, which regulate in minute detail the conditions of labour—hours of work, minimum age of workers, the hygiene and safety of factory, mine and workshop, with rigid inspection. An eight-hour day is now general in western Europe in most major industries, such as railways, engineering, building, docks and mines. Originally opposed by the employers, these regulations have been generally accepted, as they protect not only the worker against bad employers, but also the good employer against the unfair competition of his less scrupulous rivals. Secondly would come the numerous laws protecting the worker against accidents and illness, such as Workmen's Compensation and Sickness Insurance Acts. Thirdly, compensation for unemployment, either through insurance or through direct grants made by State or municipality. Already in pre-war Germany, which was the pioneer of social insurance, not less than 13 million people were insured against sickness and 21 million against accidents.

The above may be described as the direct conquests of organised labour, since they were obtained by direct demand. Indirect but not less important conquests were the establishment of free elementary education, with large grants for the develop-

ment of cheap secondary and advanced education, grants for workers' houses, free libraries, hospitals, public parks, and numerous other amenities of life.

THE INTERNATIONAL LABOUR OFFICE.—Among the advances made during these years, not the least is the creation of the International Labour Office, by the Treaty of Versailles. The fact that organised labour should have been able to have its claims recognised in a world peace treaty is in itself significant. The object of the I.L.O. is the securing of international action for the improvement of labour and social conditions in those departments of economic life where separate national action is ineffective—hours of labour, regulation of dangerous trades, employment of women and children, sweated industries, conditions of work of seamen, etc. While no one can pretend that the I.L.O. has achieved as much as it hoped in its early days, its very existence is a guarantee of future advance and an indication of the progress achieved in the last fifty years. We may conclude this section with the following quotation from an address given a few years ago by Mr. H. B. Butler, now Director of the International Labour Office: 'Whether one considers hours, the conditions of employment of women and children, or the protection of workers against social risks, it is impossible to avoid the conclusion that during this period an immense advance has been made in the general well-being of the industrial population of the Continent. This progress has not been confined to a few of the richer and larger countries, but is virtually universal in its scope. As a result, even where their real wages have not been increased, and in spite of the depression which has marked many of the post-war years in nearly every European country, millions of workers throughout Europe are considerably better off than they were before the war. Their hours of leisure are longer, their conditions of employment better, and they have an increased measure of protection against the misfortunes of life.'

INDUSTRIAL CONFLICT.—This description of social advance is, however, only half the picture. There is another side over which stretch two dark shadows. The first of these is the fact of widespread industrial conflict: disputes between employers and workers form the background of the history of most industries, and few rights have been used as widely by the trade unions as the right to strike. Between 1902 and 1909 the average annual number of industrial disputes in Great Britain was 456; between 1910 and 1913 it rose to 947, with a total of 5082 disputes for the period 1907 to 1913. Between 1919 and 1925 the total was

6239, with an average of over 1000, and the smaller number in recent years is only due to the fact that in periods of depression strikes are rarely successful. Figures for other countries would be much the same.

UNEMPLOYMENT.—The second shadow is that of unemployment, which had undoubtedly become already in 1929 the most startling—and the most dangerous—feature of the industrial situation. Short periods of local unemployment were, of course, not new, and were admitted to be the inevitable consequence of readjustments made necessary by fluctuations in the demand for goods and by the discovery of new processes displacing labour by machinery. But until 1921 the bulk of the unemployed were soon reabsorbed into industry, and it was a widespread belief that no decent workman need starve through genuine inability to find work.

It was in the winter of 1920–21 that the fact of this genuine inability of skilled—especially, in fact, of the skilled well-paid—workers to find work became apparent in England. By the summer of 1921, two and a half million workers, 23 per cent. of the trade union membership, were out of work. The numbers gradually fell to a million about October 1922, and remained at that figure until 1924, but in the spring of 1925 the numbers began to rise again slightly until they became more or less stabilised at about one and a quarter million, which was the official figure for 1929.

Similar conditions began to prevail in central Europe when the inflation period had ended about 1923: in the autumn of that year about one-third of the German industrial working class were totally unemployed. Numbers fluctuated, but by 1929 had also become virtually stabilised at about a million and a half. Few countries have not been affected; only the United States, France and Russia seemed, in 1929, to escape the disaster. Later events have shown that this security was an illusion, although Russia seems so far to have avoided large-scale unemployment.

§ 4. THE DECLINE OF AGRICULTURE

The sharp decline of European agriculture has been an inevitable result of industrialisation. We have, of course, to be careful in our statements: obviously, far more food was being grown in 1929 than in 1870; standards of life have risen; many products that were rare luxuries fifty years ago can now be found in any working-class home. But two essential features of the situation are, first, the positive decline of European agriculture in

relation to that of other continents, and, secondly, the comparative decline of agriculture in relation to industry. The first point is, then, that it has become more profitable to produce food in new, hitherto undeveloped areas where large-scale production is possible than in the small farms of Europe. In the nineteenth century Great Britain used to obtain her surplus wheat from Russia and north-eastern Europe : now most of it comes from Canada, much from the United States. Argentine beef and American fruit are cheaper than European beef and fruit, at least in western Europe. Even with protective tariffs, European farmers find it increasingly difficult to compete with food-stuffs grown outside Europe.

The result of this competition can be seen in the positive decline of European agricultural production since the war. Both in area under cultivation and in amount of food grown, there has been regression all over Europe for all cereals, with the result that far more has to be imported and far less is exported. European wheat exports are one-twentieth of what they were in 1909, rye exports one-tenth, maize exports one-quarter ; while wheat imports have nearly doubled.

AGRICULTURE IN GREAT BRITAIN.—Of all countries, Great Britain, as already the most industrialised, was naturally the chief sufferer from this decline of agriculture. In 1872 British agriculture was still fairly prosperous ; in spite of the disappearance of protection and the free competition of foreign wheat, farming still paid. But after 1875 appears a steady process of decline in internal wheat prices, and therefore of agricultural prosperity. Wheat prices dropped from 54 shillings a quarter in 1875 to 31 in 1910, while imports of wheat rose from 44 million quarters in 1875 to 97 million in 1910. Between 1875 and 1895 the capital value of land fell by 50 per cent., rents from 25 to 80 per cent. The area of arable land fell from 23 million acres in 1867 to 19 million acres in 1907 ; the number of agricultural workers diminished from 1,711,000 in 1871 to 1,344,000 in 1911.

Long before the war, therefore, foreign competition had proved too strong for the British farmer, and the war simply made things worse. By 1924 Great Britain was importing 76 per cent. of her wheat, over 50 per cent. of her beef and mutton, 65 per cent. of her pork, 82 per cent. of her butter, 68 per cent. of her cheese.

In cost values, the meat imports were by far the most important, representing £125 million a year (in 1928), with butter and cheese next (£67 million), wheat third with £64 million, eggs, milk and vegetables accounting for another £40 million. This was naturally accompanied by further diminution of the

land under cultivation, the 19 million acres of 1907 having fallen to 11 million in 1929.

The trouble of English farming was its total inability either to cope with the competition of cheap wheat from the large farms of America or to provide an adequate livelihood for people simply wishing to live honest, self-sufficient lives as farmers. Even the big farms were small according to American standards, and could not be run economically; while the small farms were too big for peasant holdings, the 74,000 holdings under 5 acres being, of course, a mere handful in comparison to France's 5 million.¹ English farming fell between two stools; there was nothing about the life of an agricultural labourer to keep in the village any man who could possibly earn a better, more independent living elsewhere.

Agricultural credit is undeveloped; agricultural trade unionism is divided and weak; facilities for technical education are inadequate. Political parties have appointed Land Inquiry Commissions and published interesting reports: they all agree that in climate, soil and markets Great Britain had enormous possibilities; but that nowhere in Europe were methods more inadequate and results more disappointing in proportion to those possibilities. Nothing has been attempted by any party, and, with industrial unemployment and falling prices, the problem seems pretty well hopeless. Agriculture has indeed paid the price of Britain's industrial advance.²

AGRICULTURE IN FRANCE.—Without being in so serious a position, French agriculture has to face the same problem of low prices, with somewhat the same results. Even before the war, the drift from country to town, from agriculture to industry, was steadily going on: before the war the rural population had dropped from 68 per cent. in 1871 to 55 per cent.; it is now 40 per cent. Agricultural prices had fallen by 35 per cent. between 1871 and 1893, in spite of a policy of agricultural protection, and the war hastened the process.

There has been, however, no revolutionary change in the French agricultural system. The number and proportion of small freeholds is still much the same, 25 per cent. being still

¹ There were in Great Britain in 1929, 74,000 holdings under 5 acres, 184,000 between 5 and 50, 61,000 between 50 and 100, 66,000 between 100 and 300, 12,000 over 300 acres. Some three-quarters of the land were owned by 38,000 persons. Thousands of acres have changed hands since the war, and much land has been bought by tenants, thus forming almost a new class of farm owners. But this class has arisen in hard times; the very fact that landlords were willing to sell on easy terms showed that agriculture was no longer profitable.

² Since 1931 subsidies from the State have slightly improved this situation.

under 25 acres. The area under cultivation has decreased, but improved methods have given a higher yield per acre; co-operative and other associations have improved marketing conditions. But the general agricultural production is declining—the total cereal crop fell from 173 million quintals¹ in 1913 to 141 million in 1926, and the potato crop from 133 million to 111 million. Agricultural wages are low, about 60 per cent. of industrial wages, and the shortage of labour has been met in some districts by the immigration of Polish farm workers. But, with all its drawbacks, agriculture is still in France in a commanding position. The country is not only practically self-sufficing as regards essential food-stuffs but is a food exporting country, and the agricultural population holds a controlling position in the Senate.

AGRICULTURE IN CENTRAL AND EASTERN EUROPE.—Much the same story can be told of Germany as of France: no startling changes, but a steady downward drift, unremedied by protection. While the total population was rapidly increasing, the rural population was diminishing by half; more and more food was imported and a great part of German land was in the hands of big landlords hostile to any radical agrarian reform.² But if no great agrarian reforms have taken place in western Europe, the same cannot be said of the east and the centre, where the Great War caused revolutions in the system of agricultural tenures.

The political changes brought about by the downfall of the Austro-Hungarian Empire called into existence, in most of the new states, strongly organised peasant parties, and these parties were able to carry out, under slightly different forms in different countries, the expropriation of great landowners and their replacement by farmer owners. In Austria, Bulgaria, Esthonia, Finland, Hungary, Latvia, Lithuania, Poland, Rumania, Czechoslovakia, and Yugoslavia, hundreds of thousands of acres changed hands in order to provide the land-hungry peasantry with holdings large enough for a livelihood and no more. Many large farmer owners had to give up part of their holdings to secure some measure of economic equality, and the law now places a strict limit on the number of acres that may compose an estate or that may be owned by a single individual.

It may be thus said that, except in northern Germany and in Great Britain, the big landowner is gone and the 'typical peasant'

¹ The quintal weighs about 110 lb.

² In 1914 there were some 2 million landowners in Germany, as against 5 million in France; 5 per cent. of the land was in holdings under 5 acres, 35 per cent. from 5 to 50, 35 per cent. from 50 to 250, 25 per cent. over 250 acres. The area under cultivation was 88 million acres, less than half the total area of the country.

is now a farmer owning his land. It must be admitted that small farming is rarely progressive or efficient ; and this agrarian revolution must perhaps be included among the contributory causes of the present agricultural crisis, but it is difficult not to agree with Professor Ogg's conclusion : ' One may perhaps say that of all the economic effects of the great conflict, the breaking up of great estates and the sweeping away of nearly all the vestiges of feudalism to satisfy an age-old land hunger sharpened by war and revolution stand the best chance of achieving permanence.'

AGRICULTURE IN RUSSIA.—The changes which have taken place in central Europe are little, however, compared to the gigantic experiment which, for some dozen years, has been in progress in Russia. This experiment is based on the policy of nationalising the land and eliminating entirely the private landowner, whether great or small. This policy falls into two clearly marked phases, of which, in 1929, the first only was completed. This consisted in declaring all land to be the property of the State, allowing existing small farmers to retain the use of their farms, and dividing the large estates among landless peasants or among those whose present holdings were too small to provide a livelihood. These measures gave the peasantry effective control of the land, while maintaining the principle of the ultimate sole ownership of the State. Early attempts at requisitioning grain and fixing its sale price failed, and in 1929 the farmer was, on the whole, still free to sell his produce as he pleased. Individual farming was, however, too incompatible with the principles of Communism to be allowed, except as a temporary expedient, and after 1930 began the second phase of the experiment, that of concentrating small individual holdings into large collective farms under State control, on the model of the numerous State experimental farms which had been set up during the last ten years. This collective farming met with some resistance from the older peasants, but the mass of the younger men, who had been educated in a Communist ideology, were more favourably disposed ; events showed the main work was less hard on the collective farms ; sale of produce was better organised ; there were much better facilities for the obtaining of seeds, machinery and other necessary equipment. It is, of course, too early to judge of the ultimate efficacy of the experiment, which, if successful, will enable Russia to re-enter the field as a wheat-exporting country in competition with Canada, the United States and the Argentine.

THE TWO EUROPEES.—The shortness of the section devoted to rural and agrarian problems might lead to the view that, in an

industrialised world, agriculture had become comparatively unimportant. Such a view would be, needless to say, both foolish and short-sighted. Agriculture remains the most fundamental of all occupations, and without it the industrial world would soon starve to death. Even in industrialised Europe half the population is composed of peasants. There are, in fact, two Europes, as a French economist, M. Delaisi, expounds in a book bearing that title; Europe A is divided from Europe B by a line that would run from Stockholm to Bergen, Glasgow, across the Irish Channel down to Bilbao, then to Barcelona, Florence, Budapest, Cracow, Dantzic and back to Stockholm. The north-western area, Europe A, is the region of coal mines, factories, steelworks, great banks; the region of centralised industrial production, which controls the financial and distributive machinery, 'an immense organism, where all functions are both centralised and specialised, every one of whose cells, from farm to factory and bank, are interdependent,' with a uniform and mainly urban type of civilisation, carrying on its work on three languages only, English, French and German. In Europe B, the agricultural countryside predominates; its comparatively few large towns are but widely scattered islands in a rural sea; many languages are spoken, few of which extend their influence over a large area, and many types of civilisation are to be met.

Europe B is 'an agglomeration of autonomous undertakings and of different ethnic groups, with no other link than religion or the coercion of some external authority.' In one word, Europe A is industrialised even in her agricultural life, and Europe B is agricultural even in her urban civilisation. The one is the creation of the nineteenth century, the other is not radically different from what she was a hundred years ago. 'Europe B still depends on the horse, Europe A is run on horse-power.' 'Now', adds M. Delaisi, 'Europe B is a large-scale potential purchaser of the industrial production which Europe A can no longer sell overseas; is it beyond the resources of modern finance and organising genius to create in Europe B the effective purchasing power that would solve the unemployment problem of Europe A, who would, in her turn, purchase at a good price the agricultural produce for which Europe B cannot find a market?'

AGRICULTURE IN AN INDUSTRIALISED WORLD.—There lies, at the present time, the essential problem of European agriculture—the extreme lowness of agricultural prices and inability for the peasants to sell their goods at a reasonable profit: 'The disparity of price between rural produce and urban goods over pre-war prices is as large as ever in most countries, and it is no doubt largely

to be explained by the lack of selling organisation on the part of the agriculturists of most lands. . . . The scattered units of production and the inability to close down operations when forced by adverse markets, owing to dependence on natural processes, has put agriculture at a special disadvantage.¹ Events since 1929 have not helped the situation or even indicated along what lines a solution is to be found.

Rural Europe thus has her own problems, social and economic, which reside in the present depression of agriculture and in the peculiar outlook and conditions of life of the peasantry. 'Should there awaken in the peasants a sense of their international solidarity powerful enough to break through political frontiers and to unite them in defence of their common interests, a new economic and political force of incalculable strength would make its appearance in the political arena, and an international peasantry would then stand in sharp opposition to an international proletariat, a "Green International," which would prove in practice the mightiest political and economic organisation ever created by the constructive genius of man.'² It is true that at the present time this ideal of peasant unity seems very far from being ever realised. 'For the most part the peasants throughout Europe are lacking in even these rudimentary economic organisations that might assist them in their unceasing fight against exploitation; even in highly organised states like France and Germany it can hardly be contended that they constitute an organised political and economic force in the sense in which the working classes do.' In the main, 'a narrow and strictly personal outlook upon life characterises all peasants without distinction of race or creed.' But no one can foretell what the future may hold in store. It is essential, however, never to lose sight of the basic importance of the peasantry, both as providers of the world's food and as forming the most stable of all social classes. 'The peasant,' says Mr. Tiltman, 'is a builder, not a wrecker; he is also the greatest passive resister in history,' and 'if the European governments meet them with understanding and conciliation, the peasants may yet live to be the saviours of all that is best in civilisation.'

§ 5. POPULATION CHANGES

SLACKENING IN THE GROWTH OF INDUSTRIAL EUROPE.—We have seen in the previous chapter how industrialism had, for a

¹ Price, *Economic Problems of Europe*, p. 106.

² *The Times Literary Supplement*, review, July 1934, of Tiltman's *Peasant Europe*. See also, on the 'Green International,' Haden Guest's *The Struggle for Power in Europe*, 1917-1921.

variety of reasons, brought about a great increase in population. This increase also occurred in those countries which have passed since 1870 from a mainly agricultural to a mainly industrial type of economic life ; but nowhere was it as rapid as it had been in nineteenth-century England. Italy, for instance, numbered 27 million in 1871, 36 in 1911, and 41 million at the present time, while the French population, which was 36 million in 1871, is now only just over 40 million—and this in spite of the fact that the area of France, no less than that of Italy, has increased since the war.¹ Great Britain (including Ireland) rose in the same period from 32 to 47 million, Germany from 40 to 63 million (after allowing for territorial losses).

The most significant features of present-day population statistics lie in the comparison of birth- and death-rate figures. The fall of the birth-rate in recent years is very general—England's from 34·2 per thousand in 1880 to 16·3 in 1930, Germany's from 37 to 17, France's from 25 to 18, Italy's from 33 to 26, Sweden's from 29 to 15 per thousand. In other words, whereas in 1880 the average English family had four children, the present average is two (4·58 to 2·14, to be exact). This terrific fall in the birth-rate is, however, compensated by the fall in the death-rate : in England, between 1880 and 1930, from 20 to 11 per thousand, in Germany from 26 to 11, in France from 22 to 15, in Italy from 30 to 14, in Sweden from 18 to 11 per thousand. Comparison of those statistics will show at once that, as far as net yearly increase is concerned, Italy leads with a net excess of births over deaths of 12 per thousand, Germany coming some way behind with 6, England next with 5, Sweden with 4, and France with 3 per thousand. But if present tendencies continue, European population will soon come to a standstill or even diminish.

DISTRIBUTION OF POPULATION.—The main point to note under this heading is the marked increase in the urban as against the agricultural population. It is scarcely necessary to give many figures—Germany, only 36 per cent. urban in 1871, was 61 per cent. urban in 1910 ; French urban figures had risen from 28

¹ The increase in the Italian population is all the more noteworthy in that Italy lost many inhabitants by emigration. Between 1880 and 1890, Italian emigration exceeded by 5 million the total emigration from France, Belgium, Denmark, Spain and Portugal ; it was four times that of Russia, three times that of Germany, greater even than that of Great Britain. There were, in 1890, 3½ million Italian-born residing abroad. And the flood did not diminish until the Great War : over 2 million emigrated between 1905 and 1914. It is true that a certain number of these emigrants, perhaps as much as half, ultimately returned to the mother country, but even then the net loss to Italy was considerable.

to 46 ; English figures from 65 to 79 per cent. In 1921, only 41·6 per cent. of the French population were engaged in agriculture, 30·5 of the German, 27 of the American, 19·3 of the Belgian, and 7·8 per cent. of the English. Bulgaria alone, with an 80 per cent. peasant population, may be said to be an overwhelmingly rural state. With this went, of course, a great increase in the numbers of the population of towns ; Germany had, in 1885, 21 towns with a population of over 100,000 ; in 1933 she had 48, to Great Britain's 51¹ and France's 17. Berlin had grown from 800,000 inhabitants in 1871 to four million in 1933 ; Paris from about one million to nearly four million ; Moscow from 250,000 in 1810 to nearly three million ; London from two and a half to eight million. Nor has this growth occurred in Europe only : American cities, small or non-existent in the early nineteenth century, included by 1933 New York with seven million, Chicago with three, four more cities over a million, and about one hundred over a hundred thousand. Tokyo, with its five million, was in 1932 the third largest city in the world, and Shanghai was sixth with over three million.

Belgium holds the density record with 654 inhabitants to the square mile, Great Britain running her close with 614, and France easily last of the chief countries with 191.

EMIGRATION.—Closely connected with the migration from country to town, and often due to the same causes, was the migration from one country to another, especially from Europe to other continents. Millions of Europeans migrated to North and South America, to South Africa, to Australia, creating across the oceans new societies based on European civilisation and race. Economic pressure was, of course, the primary motive—the peasant migrates to the town to make a better living ; townsmen and peasants migrate to new lands for the same reason. Probably not fewer than 40 million emigrated from Europe in the nineteenth century, of which some 30 million went to the United States. The contributory nations were Great Britain and Italy, with some 15 million each, and Germany with 5 or 6 million. At the present time this flow of migration has stopped, as no country is now prepared to receive new inhabitants, finding it hard enough to feed its existing population. But a change in economic conditions overseas might well lead to a recrudescence of emigration from Europe, unless an equal

¹ In 1914, four-fifths of the population in England dwelt in towns of over ten thousand inhabitants.

improvement in European conditions diminished the supply of emigrants.¹

The general conclusion to this paragraph would seem to be that in industrialised or mainly industrialised countries population has reached its limits within the present economic system, while agricultural and primitive populations, both in Europe and outside, are still increasing at an appreciable rate. Some people see in this fact a danger for Western civilisation, and attack the conditions which have caused this stagnation; others declare that the possession of large industrial resources is of greater importance than mere population, and would lay more stress on health and education than on numbers.

III. CHANGES IN THE BALANCE OF ECONOMIC POWER

§ 1. THE PASSING OF BRITISH SUPREMACY

BRITISH INDUSTRIAL DECLINE.—Having surveyed the economic life of Europe as a whole in its various departments, we can now briefly consider the respective positions occupied by the chief powers. The first obvious fact is that, even before the twentieth century dawned, the growing competition of the United States and Germany had taken away from Great Britain that initial monopoly of productive and commercial capacity that she enjoyed in 1870. A few figures will suffice: By 1890 Great Britain had lost her leadership in the production of pig-iron, her total of eight million tons being outdistanced by the United States total of nine, and by 1910 the British total was but one-seventh of the world's total—10 million tons, to Germany's 15 and America's 23 million tons. Much the same is true of steel, except that the British position was slightly worse, since by 1895 the American output was almost double the British, and the German

¹ The following statistics, taken from Viljoen's *Economic Tendencies of To-day*, will show the consequences of emigration in the last century:

	1800 Millions	1900 Millions	1925 Millions
(a) Population of European origin:			
(i) In Europe	187	401	475
(ii) Outside Europe	16	100	164
(b) Population of non-European origins outside Europe	609	994	1107
Total world population	802	1495	1746

Rate of increase in the last 125 years: non-Europeans, 82 per cent.; Europeans, 215 per cent.

its equal. In coal Great Britain was still easily ahead of all her European competitors, but her total output was only about 60 per cent. of America's, and only represented just over a quarter of the whole world's.

Trade shows the same tendencies. British imports increased faster than exports: in 1872 they were £355 million to £256 million; in 1899, £485 million to £280 million; in 1913, £768 million to £525 million, and this at a time when German and American competition was depriving Great Britain of much of her advantage in the shipping trade, that chief of invisible exports.

Post-war figures only mark an acceleration of the process. In 1929 the British share of the world's coal output had dropped to one-fifth, of iron to one-fourteenth, of steel to one-thirteenth, although while only fourth as a producer she remains first as an exporter of steel, being responsible for 30 per cent. of the total amount of steel exported in the world. Although still in the first place as an exporter of woollens, her wool exports dropped by 27 per cent. between 1924 and 1929, whereas the combined exports of her chief rivals—France, Germany, Italy, Belgium and Czechoslovakia—increased during the same five years by 9 per cent. As to the tragedy of the Lancashire cotton industry, it is so familiar that we need only say that between 1913 and 1929 its total output had diminished by nearly 50 per cent., from 7000 to 3800 million yards, and the exports to India, in particular, had diminished by 1000 million yards a year. It is, however, true that Great Britain was still, in 1929, the greatest exporting country of manufactured goods per head of the population, with £12 per head, as against Germany with £7, France with £6 and America with £5 per head.

GREAT BRITAIN AND WORLD COMMUNICATIONS.—The decline of British power was not less marked in another department where it used to reign supreme—namely, shipping. In July 1914, British steam tonnage with its 19 million tons was 41·6 per cent. of that of the world, and carried more than half the total value of goods carried. Germany came a bad second with 12 per cent., followed by Norway and France with 4·5, United States with 4·3, Japan with 3·9, Holland with 3·5, and Italy with 3·4 per cent. Now (July 1933 figures) Great Britain still leads with 18½ million tons, but this represents barely 30 per cent. of the world's steam tonnage, and the United States come a good second with 10 million tons (18 per cent.), Japan next (6·3 per cent.), then Norway, Germany, France and Italy. It is calculated that by 1929 Great Britain was losing in seamen's wages above three-

quarters of a million pounds sterling a year on freights that British ships would have been carrying without the new foreign competition, while the invisible exports due to shipping had diminished by £120 million a year on pre-war figures.

Nor, again, did Britain take a leading position in the new and rapidly expanding method of transport, aviation. In the total number of miles flown for transport purposes in 1933, she is a bad sixth with 1 $\frac{3}{4}$ million miles, after Germany and France (each 5 $\frac{1}{2}$ million miles), Russia (just over three), Italy (nearly three) and tiny Netherlands (nearly two). The United States, with their 51 million miles, cannot be compared to a single European country. Even air communications between Great Britain and the Continent depend more on foreign companies, although in 1932, for the first time, British aircraft carried more passengers than the foreign. It may be added that the British Government expenditure on civil aviation is half a million sterling, whereas it is fifteen times as much in U.S.A., six times in Germany, five times in France, three times in Italy, and nearly as much in Belgium, Poland and Japan.

CAUSES OF BRITISH DECLINE.—The complete change in the position of Great Britain since the early years of the century is graphically described in the League of Nations World Economic Survey for 1931-32. In the nineteenth century, says the Survey, 'industrial Europe sent out coal, railway equipment, machinery and manufactured goods, and drew back raw material resources from the rest of the world. This comparatively simple trade, based upon cheap transport and facilitated by an increasing investment of capital in the developing agricultural countries, was dominated by British manufacturing, shipping, commercial and financial enterprise. But in the latter part of the nineteenth, and in the early twentieth century, even before the War, there were indications that international trade of this simple character, and the economic organisation and politics connected with it, were being challenged. The dominance of British banking, shipping and commerce became less marked as other European nations sought industrial and trading outlets; the new agricultural countries began rapidly to develop their own manufacturing industries, and other centres of industry and trade grew up in North America and Japan.

'One effect of the Great War was a marked strengthening of these tendencies to decentralisation of industry and trade. . . . The currents of trade became more complicated. New trade routes were established, especially across the Pacific: . . . the ports of the Far East rose quickly to rank among the leading ports

of the world ; the Panama Canal, within ten years of its completion, carried as much traffic as the Suez Canal, and all the ports of the Pacific region have grown rapidly with increasing trade. . . . It is evident from such obvious and well-known facts that the nature of world trade since the war has undergone and is still undergoing very considerable change. It is no longer dominated by the exchanges between industrial Western Europe and the raw material producing countries, and its organisation is less centralised in the United Kingdom. The industrial hegemony of Western Europe is passing, and the falling export trade of the United Kingdom is merely the most striking manifestation of this general tendency.'

INADEQUACY OF BRITISH EQUIPMENT.—Thus, already in 1913, and to a much greater extent in 1929, Great Britain was confronted with a number of younger powers that challenged at every point her former economic supremacy, the loss of which was, in the nature of things, inevitable. The development of the industrial resources of other countries was bound to come and to deprive Great Britain of her practically monopolistic position. The very fact of her having been first in the field meant that by the end of the century much of her industrial equipment and many of her methods were old-fashioned, whereas her rivals had been able to learn from her mistakes, and took the field with better equipment, better methods, better technique. 'In the most important coking centre, out of thirty plants, only two or three are not obsolete judged by American or German standards,' writes the *Economist* in January 1930. 'The organisation of the Lancashire cotton industry, with the exception of the finishing section, is substantially the same as in the nineteenth century ; it is manifestly inadequate to meet the strain of modern conditions,' said the Committee on the Cotton Industry in that same year.

In the coal industry most experts would agree with Mr. Price that 'the great stumbling-block to a successful organisation is the British coal-owners, whose whole businesses are built up on the antiquated industrialist methods of early Victorian capitalism which continental capitalists abandoned long ago. . . .' As regards export trade, the Committee on Education for Salesmanship remarks that 'it is impossible to believe that all the essentials of overseas marketing are grasped and acted upon by the majority of British exporters.' So the conclusion seems inevitable that 'a number of our most important industries must be fundamentally reorganised and modernised, in order to be able to produce at prices which will enable them to compete with the world.'¹

¹ Peel, p. 241.

THE PROBLEM OF COSTS OF PRODUCTION.—Old-fashioned equipment, lack of organisation, poor marketing, all have the inevitable result of increasing the costs of production and handicapping this country in its competition with others. These, however, may be said to be remediable evils. More fundamental, according to many writers, is the difference between British standards of living and those of other countries as expressed in wages. On a rough average, a German worker earns, in actual purchasing power, about 65 per cent. of what a British worker earns, a French worker 58, an Italian 43 per cent. It is true that all nominal wages have increased of late years with the cost of living, but British wages have always been higher than others, and thus increased British costs of production, the superior machinery of British trade unionism being generally held responsible for this. But whether high wages are as much of a handicap as is often thought may be doubted, when we consider that in the same period Canadian wages were 165 per cent. and American 197 per cent. higher than British, and yet, at least up to 1929, the export trade of these countries was in a favourable enough position. Without raising technical questions, it may be suggested that where competition depends on sheer cheapness, irrespective of quality, low wages are a big factor; where quality is the chief element, as it is for a great proportion of the British export trade, wages do not play so important a part. And it is evident that to compete with lower European and, even more, with Indian or Japanese wage rates, British standards of life would need not merely a slight reduction but a revolutionary and undesirable change. Some would add that reliance on free trade, the refusal to adopt a policy of protectionism and Government subsidies (to export, to shipping, etc.), also placed Great Britain at a serious disadvantage; but the partisans of non-intervention have always denied this, and there is no need for us to take sides here. Heavy taxation is also urged as a handicapping factor, and British taxation is indeed very heavy; but it may be doubted whether it is now so much heavier than that of other countries, practically all of whom are carrying very heavy burdens. What is true is that British taxation is probably more difficult to escape. Last, but not least, comes the question of currency policy. Most people would agree that the deflation policy adopted since 1925 has tended to make goods expensive to those who had to buy them with depreciated currencies; and it is strange to think that no less an expert than a Chancellor of the Exchequer declared in 1925 that 'the return of the gold standard had no more to do with unemployment than the Gulf Stream.' But it must be borne in mind that *all* countries did not, up to 1929, indulge in inflated

currencies, and that the currency problem is essentially a post-war factor—whereas the decline of British commercial supremacy was already taking place before the war.

§ 2. THE CHALLENGE OF NEW ECONOMIC POWERS

INDUSTRIAL EXPANSION OF IMPERIAL GERMANY.—Of Great Britain's new rivals, Germany, at the beginning of the century, had seemed the most formidable; her industrial and commercial expansion during the Empire had been almost miraculous, as the few figures already quoted have shown. 'Made in Germany' was a mark seen on goods of all kinds; German ships had won the 'Blue Ribbon' of transatlantic commerce.¹

Germany had achieved this remarkable expansion owing to many causes. One of these was her whole-hearted acceptance of the gospel of economic nationalism preached in the middle of the nineteenth century by the economist List, with its practical conclusion that economic policy must be carefully planned and helped by the State, so as to give German trade every possible advantage over its rivals. This led to a systematic policy of tariffs and subsidies, at the price of a high cost of living, lower wages and lower standards of life;² all of them were accepted more or less cheerfully by a disciplined people³ who had become convinced that the way to world power lay through economic supremacy, and were partly compensated for by free social services. To this must be added the richness of Germany's industrial resources, especially after the annexation of the Lorraine iron mines in 1870; the high degree of technical education achieved, and the energy of a young, healthy nation full of ambition and hope. Germany also had the advantage of having been able to maintain a more normal balance of power between industry and agriculture. She kept a third of her population on the land, including six to seven millions of free peasant farmers; she grew more cereals than any other country in Europe except Russia. By planning her industrial development and avoiding the mistakes of her predecessors she was able to escape many of the worst evils of industrialism; even her industrial towns had few, if any, slums

¹ Between 1875 and 1895 German trade with North America increased by 128 per cent.; with South America, India and Australia, by about 475 per cent.

² It is calculated that about 1905, a German and a Frenchman had to pay 9s. for what cost an Englishman 7s. 4d., while the German's wages would be 20 per cent., and the Frenchman's 25 per cent., lower than the Englishman's.

³ We need not discuss here how far this acceptance was really voluntary or not. It must be remembered that the working classes of Imperial Germany were not able to exert the same influence on policy as those of Great Britain or France.

to be compared with those of many English towns ; her cities were cleaner ; there was less drink and more thrift, and, mainly owing to her system of social insurances, there was less squalid misery than in Great Britain and France. 'Germany,' says Professor Veblen,¹ 'combines the results of English experience in the development of modern technology with a state of the other arts of life more nearly equivalent to what prevailed in England before the modern industrial régime prevailed, so that the German people have been enabled to take up the technological heritage of the English without having to pay for it in the habits of thought, the use and wont induced in the English community by the experience involved in achieving it. Modern technology has come to Germany ready-made, without the cultural consequences which its gradual development and continued use has entailed among the people whose experience initiated it and determined the course of its development.'

POST-WAR GERMANY.—The immediate result of the Great War was to make Germany drop behind in the race ; she had lost the iron mines of Lorraine, the coal of Alsace and the Saar, her colonies, and much of her mercantile marine, and was burdened with Reparations. Inflation seemed for a while to assist her economic recovery ; the falling mark helped exports and checked foreign competition more effectively than the highest tariff walls ; internal debts and mortgages were paid off and much new equipment acquired. But this could not last : when the nominal value of a pound or dollar in paper marks had to be reckoned in thousands of millions, it became impossible to carry on any kind of productive activity ; no prices could be fixed, no contracts could be made, and the stabilisation of the mark became an urgent necessity. With the new currency, however, came large loans from America and a considerable measure of prosperity. The total production increased between 1924 and 1929 by no less than 48 per cent. In 1929 Germany led the way in European steel output and in chemical production, especially dye-stuffs ; unemployment figures, though high, had become stabilised, and most observers would have said that Germany had recovered to a very large extent from the economic effects of the war.

FRENCH INDUSTRIAL EXPANSION.—France, on her side, had also become by 1929 a rival that could not be ignored. Her economic development between 1871 and 1914 had been, indeed, much less rapid and spectacular than that of Germany ;

¹ *Imperial Germany and the Industrial Revolution*, p. 82.

agriculture remained her chief asset ; she was practically self-sufficing and was, therefore, much less dependent on her foreign trade ; her people were less amenable to organisation and to a planned economy. The cession to Germany, in 1871, of her rich iron ore deposits in Lorraine largely crippled a possible line of industrial expansion. But industrialisation went nevertheless ahead, slowly but steadily : the urban population grew by about 3 per cent. every ten years ; the production of textiles, woollens, linens, cottons, and especially silks, increased yearly ; the production of coal more than doubled, and its consumption trebled ; the production of iron ore increased tenfold, most of this increase being after 1907. France was a leader in the motor-car and aeroplane industries and in high-class luxury articles, such as delicate glass and porcelain, jewellery, paper ; generally speaking, French industry was particularly noted for the fine quality of its goods rather than for its capacity for large-scale mass production.

POST-WAR FRANCE.—The war, which was mainly fought on French soil, was a terrible blow to French economic life, but the industrial recovery of France after the war was, in fact, almost as amazing as Germany's expansion after 1871. She had seen the destruction of thousands of factories, of practically all her mines, of 6000 bridges, of 1500 miles of railway, of 700 miles of canals, of thousands of acres of cultivated soil ; she had lost some two million people, mostly men of working age ; she had lost most of her foreign investments, which were mainly in Russia ; she had become a debtor instead of a creditor country ; and had a huge internal debt. She immediately set to work to make good her losses ; she regained her Lorraine iron mines and the Alsatian coal ; acquired the coal of the Saar ; she imported foreign labour where French labour was inadequate ; inflation wiped out 80 per cent. of her debt and gave her such an advantage in foreign trade that, in 1923, Roubaix woollens could be bought in Bradford, the home of English woollens, for less than Bradford-made goods. She refused to pay to her foreign creditors more than she actually received from Germany ; she rebuilt her industrial plant on the most modern lines, developed the use of electricity as fuel and motive power¹ so that she now leads all the states of western Europe in that respect, and by 1923 had reached her pre-war figures of foreign trade, of coal, of iron, and of steel, and greatly outdistanced them in oil, rubber, and motor cars.

¹ Water power is extensively used for power and for electricity production ; the French call it *la houille blanche*, 'white coal.'

OTHER COUNTRIES.—The expansion of Italy was already very marked before the war, and has continued since. Possessing little coal, she developed her electric power; trebled her output of silk, so that Milan began to rival Lyons; built motor cars; improved her chemical industries; developed her shipping, especially after the acquisition, in 1919, of Trieste and of the whole of the Austrian mercantile marine.

Belgian industrial progress has also been very marked. Although one of the very smallest of European states, Belgium has a steel output almost as large as Germany's, larger than that of France and the United Kingdom, and twice as large as that of the United States. Two-thirds of her population are engaged in industry and commerce. She is a considerable exporter of coal, glass and textiles, and possesses in Antwerp the most important harbour in the world, from the point of view of total tonnage cleared.¹ Poland also exports coal, iron and textiles; while Czechoslovakia, who inherited four-fifths of the industrial resources of the old Austrian Empire, is a large-scale exporter of coal, iron, steel, engineering products, textiles, glass, porcelain, and refined sugar.

THE CHALLENGE OF ASIA AND AMERICA.—It is, however, outside Europe that we now have to look for the most serious rivals to Great Britain. The development of a native cotton industry in India dealt a heavier blow to the British cotton trade than competition from any European country, and the rapid industrialisation of Japan challenges Europe at many points. Unfortunately, the marked cheapness of Asiatic products is due largely to the extreme lowness of the wages paid—a lowness made possible by the weakness of labour legislation and organisation.

In 1929 the lead had gone (apparently for good) to the United States, who were now reaping the full advantage of their enormous area, with one system of government, one tariff and one coinage system, together with the huge extent of their natural resources, and the fact of having been spared heavy losses in the Great War. Not only were they first in the world for the total production of practically every kind of cereals, every mineral, every metal (except gold and silver), but their proportion was half (or nearly half) the world total in maize, cotton, petroleum, coal, pig-iron, steel, copper, lead and zinc. Their urban development was immense; their shipping, though still a bad second to Great Britain's, had increased fivefold since the war, tenfold since 1898. In 1929 the United States stood as the creditor of almost every

¹ Antwerp is slightly ahead of New York and Hamburg, with Rotterdam and London some way behind.

country in the world, expanding in every department of economic life, possessing the only widespread currency that had never flinched, and enjoying a universal high standard of living that was the envy of Europe. 'America is not heaven,' wrote Sir Ernest Benn in his 'Confessions of a Capitalist,' 'but it is, as I see it, as near an economic heaven as we mortals shall ever approach.'

§ 3. STABILITY OR INSECURITY?

APPARENT PROSPERITY OF 1929.—To an external observer the economic world in 1929 would appear much the same as in 1870—full of activity, of large-scale production, of widespread exchanges, of ever-growing demands for goods of all kinds, of endless discoveries and inventions. Between 1913 and 1925 the production of food-stuffs had increased by 10 per cent., that of raw materials by 25, world trade in general by 7 per cent. Between 1925 and 1929 the production of food-stuffs had increased by another 4 per cent., that of raw materials by 20, and world trade by 19 per cent. To this expansion there seemed no necessary limit; without going into Utopias, the United States stood out as a continent whose standards of living could surely become general, and the attainment of such standards by the rest of the world would engage the productive machinery of the whole world for many years to come. In 1929, as in 1870, there was no apparent reason why economic activity should not develop indefinitely in a perpetual progress.

There was, however, a difference between the optimism of 1929 and the optimism of 1870. In spite of wars, political changes, trade cycles, etc., the world of 1870 had experienced no deep upheaval of its economic system. The Napoleonic wars were already practically forgotten as a personal experience, and everybody knew that the disturbances which accompanied them had not prevented an enormous industrial and commercial expansion in the next fifty years. But the business man of 1929 was like one who has apparently recovered from the effects of a terrible accident but has not really got over the shock itself: he had felt the ground giving way under his feet; he had gone through experiences that he could never have imagined, and seen events he could never have expected to see; and once the impossible and the unbelievable have actually happened, a certain feeling of security has been destroyed, never to return.

POLITICAL INSECURITY.—The war had practically remade the map of Central Europe: long-existing states like the Austro-

Hungarian Empire had been completely dismembered, several states had been considerably enlarged, and new states had been created. Those changes had caused bitter resentment, and revision of the treaties had become an issue that prevented millions of Europeans from settling down to a 'normal' way of life; while the tariff barriers erected by the ardent nationalism of both old and new states crippled trade and caused perpetual friction. In spite of League of Nations, Reparations agreements, Locarno treaties and disarmament conferences, Europe was a powder magazine, while the situation was not less dangerous in the Far East. Political systems seemed as insecure as political frontiers. A number of old-established monarchies had been replaced by republics; entirely new forms of governments had appeared in Italy and in Russia, both of them, in radically different ways, a direct challenge to existing systems. Socialist cabinets had been in power in a number of countries, and although they had not achieved any startling changes, yet they ultimately stood for a drastic transformation of the economic order. Revolution to the right or to the left had to be accepted as an everyday possibility, and this was not conducive to that peace of mind which is necessary to permanent economic development.

INDUSTRIAL INSECURITY.—The elaborate machinery of industrial production—factories, mines, transport—all rested on very shaky foundations. Warfare, whether international or civil, had destroyed factories, flooded mines, sent shipping to the bottom of the sea, turned fields and forests into muddy trenches. A few bombs or shells could wreck the work of years; and while destruction could be made good, and active production had succeeded the awful slump of the immediate post-war period, still—the mere thought that all this might happen again imparted at times a very natural nervousness into the most optimistic manufacturers. Some became abnormally cautious, but others were hurried and careless, eager at any cost to make hay while the sun shone, heedless of what to-morrow might bring forth.

FINANCIAL INSECURITY.—The worst nightmare of business men was, however, the return of disorder in international finance. The economic world had slowly built up an elaborate and delicate machinery of credits and currencies, thanks to which transactions could take place all over the world by mere entries in books, by which long-time contracts to sell and buy could be made by dealers thousands of miles apart, by which undertakings of every sort could be launched with the help of capital from every country. But the system rested on the certainty that payments

would ultimately be made in currencies that could be trusted to purchase next year as much as this, and to exchange for currencies of other countries at the same rates as to-day.

The war had rudely dislocated this delicate system. Governments had prevented the free exchange of goods by their requisitions and controls ; trade with enemy countries had abruptly stopped. What was worse, states entered upon a policy that was the negation of all good finance : they began to issue paper money with forced tender bearing no relation to assets in gold. Some governments kept their note issue within reasonable limits, but some did not : as a war-time necessity Great Britain and the United States helped to keep up the currencies of their weaker allies, but when those guarantees were withdrawn after the peace, it was realised that all belligerents except the United States, and several neutral countries as well, were quite unable to honour their notes at their gold value. Prices soared, confidence sank ; the more prices rose, the more money was needed by governments : so more notes were printed and the vicious circle continued. Meanwhile, exchanges were disorganised, long-time contracts could not be made, saving and investments became difficult, salaries had to be perpetually readjusted to perpetually changing prices, and business life was in a state of chaos.

Inflation reached its height in Germany in the winter of 1923-24, owing to the government's attempt to finance resistance to the French occupation of the Ruhr ; but few countries escaped it altogether. Great Britain went back to the gold standard in 1925, and by doing so possibly placed upon her industry a burden greater than it could bear ; and the United States easily kept the dollar at its full value. But even after stabilisation, Italian currency had lost 70 per cent. of its gold value, French 80, and Belgian 85 per cent., while Russia, Germany and Austria had been obliged to build up new currencies that had no relation with the old. In other words, whereas some countries had paid their creditors something in the pound, the others had gone completely bankrupt. Then, between 1924 and 1929, financial security had been slowly re-established. Currencies, new or old, were stable once more, and international exchanges could be normally carried on. But the shock of the war remained keener in this department of economic life than in any other, and any suspicion that any country could possibly resort once more to the printing press as a way out of financial difficulties was sufficient to make many millions of Europeans shiver with apprehension.

INDUSTRIAL INSECURITY.—More deeply seated than these fears of possible disturbances, however, was the inherent instability of

the post-war social and economic system. Avoiding technical questions, we shall try to state the essential points very briefly and simply.

First, the productive capacity of the world, both industrial and agricultural, had increased much faster than the population. Unless something was done to increase the purchasing power of the existing population, so as to secure to each individual a higher standard of living, overproduction, and therefore chronic unemployment, was bound to follow.

Secondly, the community was burdened with heavy taxation to pay interest on war loans ; much wasteful expenditure had been incurred on uneconomic schemes, and nothing but a much greater volume of world trade at high prices could have enabled such payments to be made. Instead, every country made trade difficult by tariffs and import restrictions. Between 1925 and 1929 alone, Germany had increased her tariffs by 29 per cent., France by 38, Belgium by 50, Denmark by 67, Holland and Great Britain by 112 per cent. Spain alone had made a considerable reduction in her tariffs.

Thirdly, there was a growing disequilibrium between agricultural and industrial prices. The price of food-stuffs had fallen so low that farmers could no longer afford to buy what they needed in the way of manufactured articles ; the disproportion between the purchasing power of the agricultural and that of the industrial population was becoming every year more acute, even in the period of apparent prosperity.

Fourthly, far too much money had been invested in industry, in America especially, in the expectation of a great expansion of production, without realising that such an indefinite expansion necessitated either an expansion of population or an expansion of purchasing power, neither of which was taking place, at least at a sufficient rate. The same was true of Germany, who had borrowed enormous sums in the same expectation of a practically unlimited economic advance.

' Thus, towards the end of 1929 ' (to quote once more the League of Nations World Economic Survey), ' an unstable position had developed in the world's financial structure. The basic causes of this instability lay far back in the disorganisation produced by the war, and the burdens of debt and taxation which it bequeathed to the post-war generation. The integration of world industry or, to use a pre-war phrase, the territorial division of labour, was greatly hampered by the operation of cartels, pools, tariffs, and all the paraphernalia of the new economic nationalism.'

For all these reasons, the economic prosperity of the period 1925-29 could scarcely last. The world economic structure was

not resting on solid foundations ; it was perilously resting in a position of unstable equilibrium, which the slightest shock might overthrow.

§ 4. THE SEQUEL : 1929 TO 1934

The crash has come, and although our survey stops in the summer of 1929, it would be impossible not to state very briefly the events which have occurred since then, and which are usually summed up under the heading of the Great Slump or the Great Depression.

THE OUTBREAK OF THE CRISIS.—It began precisely in that country which seemed the most solidly established, namely, the United States. In September 1929 came a panic on Wall Street, the New York Stock Exchange, when investors suddenly realised that far more money had been put into stocks and shares than could ever hope to pay a permanent interest, and all tried at the same time to get rid of their investments. The disaster immediately and inevitably spread. It caused a stoppage in America's purchasing and investing abroad ; it therefore brought prices down and increased unemployment. Germany was the first country to be affected and was the worst hit ; her recovery had been financed by loans from abroad, mainly from America : her creditors began to recall these loans, and she found herself unable either to repay them or to borrow elsewhere the money with which to repay America or to continue the financing of her industrial expansion. So prices fell. Germany was unable to pay her creditors, and the elaborate schemes of Debts and Reparations payments collapsed, leaving her practically a bankrupt nation, with a rapidly growing mass of unemployment.

THE CRISIS IN GREAT BRITAIN.—Meanwhile Great Britain was also affected : the London money market had been responsible for large loans to Germany, and had in fact borrowed large sums at a high rate of interest to lend them at a rate higher still ; now Germany could not repay her debts, and London's creditors were calling in their advances. Gold began to be withdrawn in large quantities, and in September 1931 the Bank of England and the Government decided that the suspension of the gold standard and the depreciation of the pound were preferable to further borrowings and might help foreign trade. It probably did help the British export trade, but not the general situation ; for its immediate effect was to accentuate the depression in the United States. Right through the winter of 1931-32 the world situation

got steadily worse. In the autumn of 1932 the change of government in the United States and the energetic measures adopted by the new President, Mr. Franklin Roosevelt, which included abandonment of the gold standard and depreciation of the dollar, brought about a slight amelioration of the situation; but the great International Economic Conference, held in London in July 1933, failed to reach any constructive conclusions.

THE PRESENT SITUATION.—The year 1934 seems to have been, on the whole, slightly better than 1933. At the time of writing statistics for 1934 are not yet available, and those for 1933 are by no means complete, so that measurements of the losses incurred in the last five years are not yet perfectly exact, but it is possible to obtain approximately accurate figures. The total value of world trade has diminished by 30 per cent. if calculated in gold, by 50 per cent. if calculated in sterling, those countries who are off the gold standard having suffered less than those who have remained faithful to it. Between 1929 and 1932 the foreign trade of Europe by itself fell by over one-half, that of the United States by two-thirds. Unemployment has, of course, grown proportionately, and in 1933 stood at 3 million in Great Britain, 5 million in Germany, and at least 6 million in the United States. The situation is probably better in all those countries at the present time, but in some countries, such as France, which were less dependent on foreign trade and were therefore not hit so early by the depression, the situation in 1934 has been distinctly worse than ever before, though accurate unemployment statistics are not published.

WHITHER EUROPE?—Taking then the general situation, it may be said that 1932 marks the lowest point of the depression for the world as a whole. Since then, the fall in trade has not been arrested, but its progress is not so rapid; 'the total value of world trade,' says the 'Economic Intelligence Services Survey' for 1933, 'has not diminished as much in 1933 as it did in previous years: nevertheless it has continued to diminish by comparison with the corresponding figures in 1932, except for one single month which showed an improvement.' A few important actual raw materials have risen in gold prices during 1933, wool especially. A few British imports (wood, timber, cotton, wool) show a positive increase for 1933 over 1932. Unemployment has slightly diminished. But there are no indications of any radical change. Some people and trades are beginning to adjust themselves to a permanently depressed economic condition. But in the main, the world as a whole is puzzled by the paradoxical

situation of starving in the midst of plenty—an abundant production and unemployment, people hungry in Europe and food-stuffs used as fuel in America. Few there are, if any, who see how to end the disequilibrium between production and distribution, or have any clear ideas of whence salvation is to come.

IV. CONCLUSION : THE MAIN FEATURES OF AN INDUSTRIALISED CIVILISATION

INVENTION SUPERSEDES NATURE.—At the beginning of this chapter we called the present world an ‘ industrialised world ’ ; we may now sum up its outstanding characteristics and bring this work to a close.

‘ The wants of the ordinary man were supplied in the early Middle Ages, as in the days of Greece and Rome, either by himself or his family or by his neighbours ; in the next stage, these wants were supplied by special persons plying a craft, in a village or small town, organised sometimes in guilds. In the third stage, the provision of those needs became the business of individual or group production and large-scale merchanting ; in the fourth it became the business of large-scale production. At that point the world passes to the fifth or industrial stage, to an age in which commerce and finance are no longer aspects, growing in importance, yet still aspects of its life, but the basis on which a society depends.’

In one sense, of course, these lines from the ‘ Encyclopædia Britannica ’ seem to overlook the fact that commerce and finance have always been ‘ the basis on which a society depends.’ It is true, nevertheless, that the briefest survey shows how completely not only our economic organisation but the whole of our social order is built around the industrial system. The situation can be summed up in the statement that, wherever we turn, human invention is superseding Nature.

§ 1. THE TOWN IN MODERN LIFE

THE TOWN AS THE STANDARD OF CIVILISATION.—Turning first to the material setting of human life, we may notice how completely the man-made town has replaced the natural countryside as the normal centre of life. By ‘ normal ’ we do not mean that the majority of people live in towns ; this would only be true of a small area of western Europe. We mean that it is now the town that determines ways of thought and standards of life.

There are few countries in which, rightly or wrongly, the townsman does not feel 'superior' to the countryman, and—which is more significant—the countryman inferior to the townsman. More than ever is 'civilisation' being identified with its original meaning of 'city life.' Is this good or bad? Who can really tell? It is perfectly certain that town life is not only more comfortable materially, but mentally more stimulating. It leads to a brisk exchange of ideas: it is full of sights that may awaken both imagination and thought, it is more 'dynamic,' more capable of change than the more static, more slowly moving, less exciting countryside. Peasant mentality is frequently attacked as stupid and unprogressive; the charge is unfair, but the essential mental and psychological contrast between the townsman and the countryman remains.

THE TOWN AND NATURAL BEAUTY.—There is, besides, another side to the question. A man-made town is, nearly always, less beautiful than the countryside; many of our industrial cities are hideous, and the trouble is that we get used to their ugliness; unless energetic steps are taken to develop a sense of beauty through education, the artistic sensibilities of the rank and file of town dwellers tend to become blunted.¹ Treasures of mediæval architecture are ruthlessly pulled down because they encumber ground needed for banks and cinemas; new buildings are erected with cheapness of construction as the main consideration; generations grow up ignorant of any real first-hand contact with Nature, unfamiliar with her rhythms and moods, except in so far as these affect the weather.

THE TOWN AND HEALTH.—Town life has the further effect of increasing not so much healthy physical fatigue after a wholesome effort as nervous strain after long mechanical work in an enclosed atmosphere. That is not to say that town life is necessarily unhealthy, because it is not, as statistics prove, but it does mean living at a rate and at a pressure that causes a greater wear and tear of the nervous system, less stability, more excitement. Hence the need for entertainment and holidays, inevitable and proper in present circumstances, but presenting serious psychological and moral problems until a more widespread education enables the

¹ It is, of course, obvious that towns need not in themselves be hideous; many mediæval towns were beautiful, and many a modern town is both pleasant to live in and good to look at. Our remarks apply exclusively to the nineteenth-century cities built solely for industrial production. But what enabled our ancestors to keep in their city-building a sense of beauty, which we have lost, is an interesting problem. It may be partly explained by the fact that the mediæval city remained a natural group, to which the citizen belonged and for which he felt responsible.

masses to make a better use of that increased leisure which is, undoubtedly, one of the conquests of invention over Nature.

THE TOWN AND THE INDIVIDUAL.—Closely allied with this problem of health is that of crowded housing conditions. Many thousands have absolutely no privacy and no possibility of solitude—an impossibility which breeds, in many cases, a tragic incapacity to be alone with oneself. At the same time, the town leads to the destruction of the natural groups of the countryside—family, farm, village; unless the city dweller manages to identify himself with some group in his town—church, trade union, club—he becomes a mere isolated unit, and yet is never physically alone; he is now just one of the crowd, and here arise the problems of mass-psychology, which scientists are only just beginning to explore.

PROBLEMS OF THE 'URBAN MIND.'—Thus, materially and morally we can admit, with Professor Mackenzie, that 'the growth of large cities constitutes perhaps the greatest of all the problems of civilisation.' Just as town planning and urbanism form one of the most important of the younger sciences, so what may be called the 'urban mind,' its development, its manifestations, its training along right lines, forms one of the most essential of modern studies; the problem being, as we see it, how to develop healthy individual thinking and personal responsibility in the dense crowds of a modern city.

§ 2. NATURE AND THE MACHINE

DISTANCE.—From the town as the man-made centre of human activity, we now turn to the machine as the man-made agent of this activity. This may be said to have destroyed the limits imposed by Nature on man. It has, in the first place, eliminated distance. Aeroplane, wireless, telegraph, telephone and television have completely revolutionised the conditions under which all exchanges are made, whether of goods or of ideas.¹ The unity of the world has indeed become such a commonplace that to dwell on it would be a waste of time.

PRODUCTIVE CAPACITY.—In the second place, it has removed all apparent limits to production. The world can now produce goods in practically unlimited quantities; not only can manu-

¹ 'The discovery of electricity is more important than that of steam, because the latter only speeded up goods, while the former made a real difference to news' (Charlesworth, *Trade Routes of the Roman Empire*, p. 225).

factured articles be turned out in masses, but food-stuffs can be multiplied by devices such as fertilisers and artificial irrigation, while the old fear that raw materials would some day become exhausted has been removed by the perpetual discovery of new materials or of new processes for increasing the yield of the old. 'I do not think I am exaggerating,' says Mr. Cole, 'when I suggest that if the technicians of the world were free to concentrate on increasing output without considering the state of the market, there would be no real obstacle to the doubling of the Western world's production within quite a short period of time,' and it seems as if this doubling process might continue almost indefinitely, at least for many years to come.

POPULATION.—With this multiplying of production has come a multiplying of population. No one would have dreamt, a hundred years ago, that Great Britain could possibly support a population of 45 million in the early twentieth century. The steady diminution in the death-rate may well continue for a long time with the development of hygiene and medical science; if war and pestilence are eliminated, as they may well be, from those areas in which they still appear, then population and production could, in theory at least, grow indefinitely side by side. It is true, of course, that in western Europe a number of circumstances are causing a diminution in the birth-rate, but these circumstances are largely bound up with the present economic system and might well change with it.

PRODUCTIVE INSTABILITY.—Unlimited production has brought about, however, a dangerous instability of industrial conditions. New wants mean new fashions, new inventions, a perpetually changing technique which gives to production a certain feverish restlessness. It becomes dangerous to lay in large stocks of velvet, if velvet is not to be worn next year; or to build too many cars of this season's model, since this will be obsolete in another season or two. Planning becomes increasingly difficult; buying goods for their durability and soundness becomes the exception and not the rule; articles are discarded before they are worn out, with the resultant waste of materials and energy. A French writer, M. Duhamel, has actually suggested a 'five-year truce on inventions,' to enable existing machinery and goods to wear out normally. The solution of the problem may be fanciful, but the problem itself is certainly not imaginary.

INVENTIONS AND HUMAN LABOUR.—Lastly, the inventive genius of man has apparently removed all limits to his power over Nature.

Every year some new form appears of human control over the elements. But each new advance in that power seems to diminish the need for human labour. We may, indeed, trust that new wants and new inventions will ultimately create new demands for labour, but we know that this 'ultimately' appears to be a long way off at the present time, and meanwhile unemployment and the tragedy of 'unwanted' hands have to be included as an integral part of present-day industrialism.

§ 3. THE HUMAN ELEMENT IN INDUSTRY

IMPERSONAL CHARACTER OF INDUSTRIAL RELATIONS.—From the setting in which human activity takes place, and the mechanical agents which it uses, we come to the part played by man himself in the industrial system. The situation may be summed up in the word 'depersonalisation.' The systems of old, with all their evil features, were at least based on a personal relationship; masters might not be directly interested in their dependants, whether slaves, serfs, journeymen or apprentices, but they were at least in direct contact with them, and were bound to see the effects of the economic system on the lives of people who lived at their door. They could harden their hearts against poverty and suffering, they could not ignore it. Under our present system, industrial concerns employ 'hands' whom the directors never know by name or by sight; the personal contact is left to foremen or managers, who are themselves but irresponsible salaried officials. These who take the decisions are spared the unpleasant task of announcing directly to the individuals concerned dismissals or reductions in wages. It is an exaggeration to say that corporations have no consciences or human feelings; these depend on the moral qualities of directors and shareholders; but no one can deny that the substitution of anonymous joint-stock companies for small personal undertakings has been a large factor in the growing disharmony between employers and employed.

IMPERSONAL CHARACTER OF INDUSTRIAL PRODUCTION.—Not only have labour relationships lost the personal touch, but so has labour itself. The worker, perpetually engaged either in tending a machine or in producing in huge quantities the tiny part of a whole which he never handles, has no contact with the finished product, and thereby loses that sense of direct connection with a complete article which is the sole possible interest of manual work. The craftsman's pride is largely if not entirely gone from modern industry, and few will deny the resulting loss to social and economic life.

This elimination of the personal element has spread to economic problems as a whole. We view and discuss them as abstract questions ; we justify measures involving great immediate hardships to individuals on the ground that 'in the long run' society 'as a whole' will benefit. Economically, the individual has no right against society. As Professor McGregor observes,¹ in politics and in law the individual's rights are maintained even if they seem to conflict with the immediate advantage of society, and he aptly quotes the cases of Don Pacifico, on whose behalf England nearly went to war against Turkey, and of Captain Dreyfus, whose vindication against a charge of high treason involved France in disturbances that only just stopped short of civil war. In both cases the rights of the individual were held to be sacred, although it was obviously to the apparent interest of the countries concerned to let him suffer ; in both cases the reply was that the individual was an integral part of society and that society itself was diseased if it deliberately tolerated the injury done to its member. 'When the case of "John Brown, unemployed," is felt to create the same need of redress as the case of "Captain Dreyfus, wrongly condemned,"' says Professor McGregor, 'the individual standard will have been placed on the same level as the standards of law and civics.' We are indeed moving in that direction, but there is still a long way to go.

§ 4. ECONOMIC LIFE AND THE HUMAN WILL

All these lines of thought converge towards the same general conclusion, that in every aspect of economic life conscious human control replaces the free play of 'natural forces.' This point is too obvious to need labouring at length. If production, for instance, were limited to the satisfaction of man's 'natural wants,' much of it would not be called for : an enormous part of our productive machinery is kept busy satisfying new 'artificial' wants perpetually stimulated by advertising and all the devices by which man is led to demand an always rising standard of life. Our elaborate insurance systems, the complex machinery of labour regulation, of trade unions and employers' federations, of chambers of commerce and consular commercial agencies, of tariffs and customs duties, all these are attempts to control and direct what used to be called the 'natural' exchange of goods. And those illustrations, taken from economic life, could be multiplied by others selected from every field of human activity.

¹ *The Evolution of Industry*, pp. 110-13. The whole first chapter of this book is very suggestive.

And so we may say, as a last word, that economic progress, like every other form of progress, has lain in allowing to the human will an ever larger share in the determination of human life. Man is becoming increasingly abler to do what he wants with himself, with society, with the world. He can plan, organise, direct. His former dependence on Nature is daily diminishing; what escapes him to-day, such as control of the weather, may well be within his grasp to-morrow. But increasing control means increasing responsibility. If things go wrong, it is no use blaming 'Nature': the fault lies at our door. The future is not at the mercy of elemental forces over which we can do nothing: the future is what man chooses to make it, and in this task every man has a part to play which he may not refuse.

SUGGESTIONS FOR FURTHER READING

Most of the books in this list should be found in any good school, college or municipal library. Students requiring references for advanced study will find these in the bibliographies contained in the larger text-books such as Knight's, or Ogg's, or Gras's. Asterisks indicate the most important works.

GENERAL REFERENCES

A. GENERAL ECONOMIC HISTORY.

- *CUNNINGHAM : *The Development of Western Civilisation in its Economic Aspects.*
- FORREST : *Development of Western Civilisation.*
- GRAS : *An Introduction to Economic History.*
- *KNIGHT, BARNES and FLUEGEL : *Economic History of Europe* (by far the best detailed general survey ; contains full bibliographies).
- NUSSBAUM : *A History of Economic Institutions of Modern Europe, being an introduction to Sombart's 'Capitalism.'*
- *OGG and SHARP : *Economic Development of Modern Europe* (Part I covers in outline the mediaeval and early modern background ; Parts II to IV cover the nineteenth century, and Part V the post-war world in considerable detail).
- *REES : *A Survey of Economic Development.*
- *SINCLAIR : *A Preface to Economic History.*
- UNWIN : *Studies in Economic History.*
- WEBER : *General Economic History.*

B. HISTORY OF PARTICULAR COUNTRIES.

- ASHLEY : *Economic Organisation of England.*
- " *Introduction to English Economic History.*
- *LIPSON : *Economic History of England.*
- ROBERTS : *An Outline of the Economic History of England.*
- SÉE : *A Social and Economic History of France.*
- SPALDING : *The Piers Plouman Social and Economic Histories.*
- WATERS : *A Short Economic History of England to 1874.*
- WORTS and DAVIES : *England at Work.*

C. AGRICULTURE.

- BENNETT : *Problems of Village Life.*
- CLAPHAM : *Economic History of English Agriculture.*
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