The Crisis of The 17th Century—II

IN THE LAST NUMBER OF PAST AND PRESENT I ATTEMPTED TO OUTLINE some of the evidence for the view that there was a "general crisis" of the European economy in the 17th century and to suggest some reasons why it should have occurred. I argued that it was due, in the main, to the failure to surmount certain general obstacles which still stood in the way of the full development of capitalism. The article also suggested that the "crisis" itself created the conditions which were to make industrial revolution possible. In this article I propose to discuss ways in which this may have come about, i.e. the outcome of the crisis.

It is perhaps worth recalling that the period of difficulties lasted for about a century — say from 1620s to the 1720s. Thereafter the general picture is rosier. The financial problems of the age of wars were more or less solved, at the expense of numerous investors, in Britain and France by means of such devices as the South Sea Bubble and Law's System. Plague and pestilence, if not famine, disappeared from Western Europe after the Marseilles epidemic of 1720-1. Wherever the eye turned, it saw growing wealth, trade and industry, growing population and colonial expansion. Slow at first, the pace of economic change became precipitous from sometime between the 1760s and the 1780s. The period of Industrial Revolution had begun. There were indeed, as we shall see, signs of a "crisis of growth" in agriculture, in the colonial economy and elsewhere from the third quarter of the 18th century, but it would be impossible to write the history of the 18th century in terms of a "phase of contraction," as a recent historian has written that of the 17th.¹

However, if the argument that the fundamental obstacles in the way of capitalist development disappeared sometime in the 17th century is right, we may legitimately ask why industrial revolution did not get into its full stride until the end of the 18th. The problem is a very real one. In England, at any rate, it is hard to escape the impression that the stormy pace of economic development towards the end of the 17th century "ought" to have brought about industrial revolution much sooner. The gap between Newcomen and James Watt, between the time the Darbys of Coalbrookdale discovered how to smelt iron with coal and the time when the method was generally utilized, is really quite long. It is significant that the Royal Society complained in 1701 that "the disheartening neglect
of the great, the impetuous contradiction of the ignorant, and the reproaches of the unreasonable, had unhappily thwarted them in their design to perpetuate a succession of useful inventions."

Even in some other countries there are signs of economic changes in the 1690s which lead no further, for instance agricultural innovations in Normandy and Southwestern France. Again, a malaise hangs over British farming in the 1720s and 30s and perhaps over some industries. In the intellectual field there is an analogous gap. The present article does not propose to tackle this problem. It must certainly be solved if we are to have a really adequate understanding of the process of modern economic development and the origins of the Industrial Revolution, but space forbids any attempt, however cursory, to discuss it here.

**The conditions of economic development**

The obstacles in the way of industrial revolution were of two types. *First*, as has been argued, the economy and social structure of pre-capitalist societies simply did not leave enough scope for it. Something like a preliminary revolutionizing had to take place before they were capable of undergoing the transformations which England underwent between the 1780s and the 1840s. This had of course begun long since. *We must consider how far the 17th century crisis advanced it*. However, there is a *second* problem, though a more specialized one. Even if we remove the general obstacles in the way of industrial revolution, it does not follow that a society of machines and factories will immediately result. Between 1500 and 1800 many industries evolved methods of expanding output rapidly and without limit, but with fairly primitive organization and technique; for instance the metal goods producers of Birmingham, the gun-makers of Liège, the cutlers of Sheffield or Solingen. These towns produced their characteristic wares in much the same ways in 1860 as in 1750, though in vastly greater quantities and with the use of new sources of power. *What we have to explain, therefore, is not merely the rise of Birmingham with its subdivided craft industries, but specifically the rise of Manchester with its factories, for it was Manchester and its like which revolutionized the world. What conditions in the 17th century helped, not only to sweep away the general obstacles, but to produce the conditions which gave birth to Manchester?*

It would be surprising if the conditions for the development of the modern industrial economy were to arise everywhere in 17th and 18th century Europe. *What we must show is that, as the result of 17th*
century changes, they developed in one or two areas sufficiently large and economically effective enough to serve as a base for revolutionizing the world subsequently. This is very difficult. Perhaps no really conclusive demonstration is possible until we have far more quantitative information about the period than we have at present. It is all the more difficult because in the most vital areas of the economy — agricultural and manufacturing production properly speaking — we not only know very little, but lack the sort of revolutionary landmarks which cheer the historian of the industrial revolution on his way: spinning-mills, power-looms, railways. Hence the economic historian of our period may have the very strong impression that "somewhere about the middle of the 17th century European life was so completely transformed in many of its aspects that we commonly think of this as one of the great watersheds of modern history," but he cannot prove it conclusively.

The 17th century, an age of economic concentration

The main argument of this article may be summarized as follows. The 17th century crisis resulted in a considerable concentration of economic power. In this it differed, I think, from the 14th century crisis which had — at least for a time — the opposite effect. This may indicate that the old structure of European society had already been considerably undermined, for it is arguable that the normal tendency of a purely feudal society, when in difficulties, is to revert to an economy of small local producers — e.g. peasants — whose mode of production easily survives the collapse of an elaborate superstructure of demesne agriculture and trade. Directly and indirectly this concentration served the ends of future industrialization, though of course nobody intended it to do so. It did so directly, by strengthening "putting-out" industry at the expense of craft production, and the "advanced" economies at the expense of the "backward" and speeding the process of capital accumulation; indirectly by helping to solve the problem of providing a surplus of agricultural products, and in other ways. Of course this was not a Panglossian process, in which everything was for the best in the best of all possible worlds. Many of the results of the crisis were sheer waste, or even regression, when considered from the point of view of an eventual industrial revolution. Nor was it an "inevitable" process in the short run. Had the English Revolution failed, for instance, as so many other revolutions in the 17th century failed, it is entirely possible that economic development might have been long retarded. Nevertheless, its net effect was economically progressive.
Though the generalization may be contested, like all generalizations, there is little doubt that economic concentration took place in various forms, in East and West, under conditions of expansion, contraction or stagnation. Within the countryside large landowners gained at the expense of peasants and smaller owners, in Restoration England as in Eastern Europe. (If we regard towns as special forms of feudal lords the impression of concentration is even stronger on the continent). In non-industrial areas towns gained at the expense of the countryside, whether as a result of their greater immunity to lords, soldiers and hunger or for other reasons. Administrative measures like the Prussian excise might intensify this process, but were not wholly responsible for it. The east-European areas in which towns declined, like small landowners and peasants, before the pressure of magnates, are an exception which merely confirms the general picture of concentration. Within the towns wealth may have concentrated also, at any rate where the lords were not strong enough to capture the old town rights of exploiting the countryside for themselves, as they did in Eastern Europe. In industrial areas we have what Espinas called "the double orientation of production in small and large centres" that is, the substitution of rural out-work controlled by great national or foreign trading groups for the medium-sized town crafts. We also have a certain re-grouping of industries which may sometimes be regarded as concentration, e.g. where specialized manufactures for a national or international market grew up in particular areas instead of more widespread manufactures for regional markets. Everywhere the great metropolitan cities grew at the expense of town, countryside or both. Internationally trade concentrated in the maritime states, and within these in turn capital cities tended to preponderate. The growing power of centralized states also made for some economic concentration.

Agriculture

What were the effects of this process in agriculture? We have seen that there is evidence that towards the end of the 16th and the beginning of the 17th centuries the expansion of the marketable agricultural surplus was lagging behind that of non-agricultural consumption. In the long run the vast surplus essential for the development of a modern industrial society was to be achieved primarily by technical revolution — i.e. by raising productivity and expanding the cultivated area through capitalist farming. Only thus could agriculture produce not merely the necessary food surplus for the towns — not to mention certain industrial raw materials —
but also the labour for industry. In the developed countries, notably in the Low Countries and England, signs of agricultural revolution had long been visible, and from the middle of the 17th century they multiply. We also find a marked increase in the cultivation of novel and rare crops such as maize, potatoes and tobacco which may be regarded as a species of agricultural revolution. Before the mid-17th century maize had only been grown in the Po delta (from 1554); soon afterwards it spread to Lombardy and Piedmont. Rice cultivation in Lombardy covered 5,000 hectares in 1550; by 1710 it covered over 150,000, about as much as today and only \( \frac{3}{4} \) below the peak acreage of 1870. Maize and cotton cultivation certainly spread in the Balkans. Potatoes appear to have made serious headway in Ireland and perhaps northern England by 1700, though virtually uncultivated elsewhere. Nevertheless, it would be unwise to conclude that technical innovation contributed much to agricultural production before the mid-18th century — again England and the Low Countries may be exceptions, as also the areas of maize cultivation — or that it extended much beyond gardening which, as M. Meuvret has pointed out, lent itself easily to technical experimenting. It is doubtful whether in many areas of Europe the cultivated area in 1700 had extended much beyond what it had been in 1600.

Exactly what happened in Western Europe is by no means clear, though we know that England exported corn increasingly from the end of the 17th century. It would seem, to judge from what we know of France, that the increasing demand from such large food-markets as Paris was met (a) by drawing on the reserves of proverbially rich agricultural areas which had not previously been fully tapped in normal times and (b) by increasingly "poaching" on the preserves of other cities. Since there is no obvious evidence of increases in productivity one would expect this to have meant, in the last analysis, either a transfer from food with a lower to food with a higher yield per acre (e.g. from cattle to corn), or a simple transfer from some Peter — probably the miserable peasant — to some Paul. There is some evidence that peasants were forced onto a worse diet, selling their wheat on the market, at any rate in the South, which had never had much of a food-surplus. A decline in the dietary standard in England has also been suggested for the later 17th century.

What happened in Central and Eastern Europe is rather more clear. The development of an economy of serf-estates was accelerated and accentuated in the 17th century, which may be regarded as marking the decisive victory of the new serfdom, or more precisely
of large serf-owners ("magnates") over the lesser nobility and gentry. We need not discuss how much of this revival of feudalism was due to the increasing demand of outside food-markets — at home or abroad, how much to other factors. At all events, a number of factors coincided to increase the economic and political power of the magnates, who were both the most effective and the most wholesale enserfers of the peasantry. With rare and transitory exceptions — the Swedish monarchy's peasant policy in the Baltic towards the end of the century may be one — even the absolutist monarchies were unable and unwilling to interfere with it. Indeed they tended to advance it, because their victory over estates and similar institutions generally meant the weakening of the lesser nobles (whose strongholds they were) and of the towns, and the relative strengthening of the smaller groups of magnates who gathered round the ruler's court, which may often be regarded virtually as a mechanism for distributing the country's taxable income among them in one form or another. In any case, as in Russia and Prussia, the power of the monarch in the state was sometimes bought by renouncing all interference with the power of the lord on his estate. Where royal power was vanishing, as in Poland, or declining, as in Turkey (where non-heritable fiefs for military service gave way to heritable feudal estates), the lord's task was in any case even less complicated.

The decisive victory of the serf-estate did not lead to an increase in productivity, but it was able to create, for a time at least, a large pool of potentially saleable, and as time went on, actually sold agrarian produce. In the first place, in the most primitive areas such as the Balkans and the Eastern frontier zones, it could oblige peasants to stay in the economy rather than to escape by migration or nomadism and to cultivate exportable rather than subsistence crops, or to switch from a dairying to a tillage economy. This last change was also encouraged by the Thirty Years' War, in Bohemia and elsewhere. The example of 18th century Ireland shows that a mere transfer from cattle to field-crops can have, for a time, the effect of an agricultural revolution. In the second place, the feudal estate could increasingly become a "Gutsherrschaft" drawing profits from the sale of serf-produced farming rather than a "Grundherrschaft" relying on income in money or kind from dependent peasants. Estates differed in the degree to which they did so; 69% of the income from some Czech estates in 1636-7 came from demesne profits, but only between 40 and 50% of that on some East German estates in the mid-18th century. We may assume, however,
that the transfer of estates from smaller to larger owners would increase their profit-exploitation, for at the shockingly low level of serf-agriculture only the really large lord might find that the profits of running his estate as a corn-factory made the trouble of organizing and supervising the huge gangs of reluctant serfs worth while. In the neighbourhood of exporting ports merchants might encourage lords to enter the exporting economy, or force them to do so by lending money against the promise of crop-sales, as in Livonia.  

Admittedly this could not permanently solve the problem of capitalist growth. The serf economy was shockingly inefficient. The mere fact of forced labour tied it down to the least efficient utilization of land and manpower. Once an area had been completely "enserfed," and forced labour intensified to its maximum — say 5 or 6 days a week — production stabilized itself, unless new areas could be "enserfed." But difficulties of transport imposed limits. The expulsion of the Turks might open up the hinterland of the Black Sea ports, but — to take an obvious example — Western Siberia was still bound to remain inaccessible. Hence, as soon as the effective limits of serf agriculture had been reached, it entered upon a period of crisis. From the 1760s on this was recognized, and to some extent reflected in the projects of enlightened despotism.  

The serf-economy was transformed between 1760 and 1861. This transformation takes us beyond the limits of our period and cannot therefore be considered here. The important thing for our purposes is, that the transfer to the serf-estate economy coincided with the 17th century crisis, and perhaps entered its decisive stage after the Thirty Years' War — say about 1660.  

The ways in which the crisis hastened this transfer are clear. Under the circumstances obtaining almost any outside event — a war, a famine, the raising of new taxes — weakened the peasant (and with him the traditional agrarian structure) and strengthened his exploiters. The crisis, moreover, encouraged all of them — landlords, provincial middle class, and State in the West, lord and State in the East, to save themselves at his expense. Moreover, it has been argued that the decline in commerce and urban life over parts of the continent would encourage the rich to invest capital on the land, thus encouraging even further exploitation; as did the fall in agricultural prices. It is perhaps worth pointing out that such investment must not be confused with investment for the improvement of agriculture as in the 18th and 19th century. Normally it merely meant investment in the right to turn the screw on the peasant.
Industry and manufactures

The main result of the 17th century crisis on industrial organization was to eliminate the crafts, and with them the craft-dominated towns, from large-scale production and to establish the "putting-out" system, controlled by men with capitalist horizons and operated by easily exploitable rural labour. Signs of more ambitious industrial developments, "manufactories" and the like, are not lacking, especially in the last third of the century, and in industries like mining, metallurgy and shipbuilding which required a fairly large-scale of operation, but even without these the industrial changes are striking. "Putting-out" (a protean stage of industrial development) had developed in certain textile industries in the later middle ages, but as a general rule the transformation of crafts into "putting-out" industries began seriously during the boom of the later 16th century. The 17th is clearly the century when such systems established themselves decisively. Once again, its middle years appear to mark some sort of watershed: for instance, the large-scale export of Liège small-arms began after the 1650s. This was only to be expected. Rural industries did not suffer from the high costs of urban ones, and often the small local producer of cheap goods — e.g. "new draperies" — found himself able to expand sales while the high-quality and expensive goods of the old exporting industries — broad-cloth, Italian textiles — lost their markets. "Putting-out" made regional concentration of industry possible, as it was not in the narrow town boundaries, for it made production easy to expand. But the crisis encouraged such regional concentration, for only this — for instance the concentration of European tinplate manufacture in Saxony — could enable large-scale production to survive when home markets were small, and export markets perhaps not expanding. (The case of countries with a developed market will be considered below). The negative side of this development was, that towns were often left to become little islands of self-sufficiency and technical stagnation under tighter craft domination than before; that is to say, since people do not live by taking in each others' washing, to batten increasingly on the surrounding countryside or on transit trade. This may incidentally have helped sections of the provincial middle class to accumulate capital, but this is not certain. The positive side was, that "putting-out" was a most effective dissolver of the traditional agrarian structure, and provided a means of rapidly increasing industrial production before the adoption of the factory system.

Moreover, the large-scale development of putting-out normally
either depends upon, or at least implies, considerable concentration of commercial and financial control. The local smith can expect to rid of his wares on the local market. A specialized community of smiths producing scythes for an export market stretching from Central Europe to Russia — as did the Styrians — depends on export merchants in some, generally a very few, trading centres.9 (It also depends, of course, on a whole hierarchy of intermediaries). “Putting out”, therefore was also likely to increase the accumulation of capital in a few centres of wealth.

The accumulation of capital

Concentration thus helped to increase the accumulation of capital in various ways. However, the problem of capital supply in the periods preceding the industrial revolution was a double one. On the one hand, industrialization probably required much greater preliminary capital accumulation than the 16th century was capable of achieving*. On the other, it required investment in the right places — where it increased productive capacity. Concentration — i.e. an increasingly uneven distribution of wealth within countries — almost automatically increased the capacity to accumulate, though not where the crisis led to general impoverishment. Moreover, as we shall see, concentration in favour of the maritime economies, with their immensely effective new mechanism for capital accumulation (e.g. from foreign and colonial enterprise) laid the basis for accelerated accumulation such as we encounter in the 18th century. It did not automatically abolish misinvestment. But as we have seen this, rather than underinvestment was the chief difficulty, and a contributory cause of the 17th century crisis. Nor did it cease. In many parts of Europe the crisis diverted wealth to aristocracies and provincial bourgeoisies who were far from using it productively. Moreover, even the redistribution of capital in favour of the maritime economies might produce misinvestment, though of a different kind: for instance the diversion of capital from industry and agriculture into colonial exploitation, overseas trade and finance. The Netherlands are the standard example of such diversion, but it probably also occurred in Britain in the 18th century.

* It is sometimes argued that the cheap and piecemeal character of early industrial plants — e.g. cotton mills — enabled them to be financed with very small initial capital and by ploughing back profits. This example is misleading. We must consider not merely the investment required to start the individual firm, but the total investment required to get an industrial economy off to a flying start — roads, canals, docks, shipping, buildings of all sorts, agricultural investments, mines, etc. Really rapid industrialization needs not only this initial equipment, but continued investment of the same kind. This gives the economy with accumulated reserves — say 18th-century Britain — a vast advantage over the economy without them — say 18th-century Austria. It is too often forgotten that every government in the later 18th century tried to industrialize, but few succeeded.
The crisis therefore produced no automatic mechanism for investing capital in the right places. However, it produced two indirect ways of doing so. First, in the continental countries, government enterprise in the new absolute monarchies fostered industries, colonies and export drives which would not otherwise have flourished, as in Colbertian France, expanded or saved from collapse mining and metallurgy and laid the foundations of industries in places where the power of the serf-lords and the weakness or parasitism of the middle classes inhibited them. Second, the concentration of power in the maritime economies incidentally encouraged much productive investment. Thus the increasing flow of colonial and foreign trade, as we shall see, stimulated the domestic industries and agricultures supplying it. Home exports may, in the eyes of the great Dutch or British trading interests, have been merely a supplement to re-exports of foreign (chiefly colonial) goods, but their development was not negligible. Moreover, it is possible that the virtual Dutch monopoly of international trade may have led rival, but as yet less successful "bourgeois" areas to invest much more of their capital at home than they would have done, had they enjoyed the Dutchmen's opportunities. Thus it seems that there was a very great deal of home investment in Britain between 1660 and 1700, which is reflected in the extremely rapid development of many British industries. In the early 18th century this slackened off. The sluggish period of the 1720s-40s, which we noticed above, may thus be due in part to the diversion of capital overseas following the extraordinary successes of Britain in the wars of 1689-1714. Nevertheless, the basis of future industrial advance had been laid.

The commercial and financial apparatus

Little need be said about the changes in the commercial and financial apparatus which occurred during the period of the crisis. These are most obvious in Northern Europe (where public finance was revolutionized), and particularly in Britain. We need not discuss how far these changes, which were, in effect, the adoption by Northerners of methods and devices long known to people like the Italians, were due to the crisis itself.

Nor need we discuss the effect of the crisis on the growth of what used to be called "the capitalist spirit" and what is now fashionably known as "entrepreneurship." There is no evidence that autonomous vagaries in businessmen's states of mind are as important as the German school used to think and an American school thinks now. Some of the reasons for this were suggested in the previous article.
We must now turn to the specific problem of the origin of the industrial revolution. Concentration and redistribution may have laid the foundations for further advance, but in themselves do not explain its precise nature. For if industrialisation was to emerge from it, it had to produce two peculiar forms of expansion. First, it had to encourage manufactures in the countries with the strongest "capitalist" base and on a scale sufficient to revolutionize (by degrees) the rest of the world. Second, it had to establish the primacy of production over consumption which is a fundamental prerequisite of capitalist industry.

The case of the Dutch

The first point is simple. Thus the development of manufactures in a country like Russia, though it heralded and prepared the eventual dissolution of feudalism there, was in fact at this period absorbed into the general feudal framework. Ural metalworkers were not proletarians, but special types of serfs. Potentially capitalist entrepreneurs like the Stroganovs, Demidovs or Yakovlevs became special types of serf lords. Russian industry eventually developed not as an extension of such enterprise but on its ruins. But the greatest beneficiary of 17th century concentration, the Netherlands, was in many respects a "feudal business" economy; a Florence, Antwerp or Augsburg on a semi-national scale. It survived and flourished by cornering the world’s supply of certain scarce goods and much of the world’s business as a commercial and financial intermediary. Dutch profits did not depend greatly on capitalist manufacture. Hence the Dutch economy to some extent did a disservice to industrialisation in the short run: to their own, by sacrificing Dutch manufactures (until 1816) to the huge vested interests of trading and finance; to that of the rest of Europe, by encouraging manufactures in feudal and semi-colonial areas where they were not strong enough to break out of the older social framework: Silesia, or West Germany. In Belgium and England the opposite was true. Thus the Belgians compensated for their loss of trade and finance to the Dutch in the late 16th century by developing industrial production and therefore became a major industrialised power before them. Against the free-trade and pacific policy of the Dutch, Britain upheld militant discriminatory and protectionist policies backed by aggressive wars for markets. The industrial future was more likely to be with "modern" states like the British rather than with "old-fashioned" ones like the United Provinces.
Indirectly, of course, the operations of the Dutch helped to advance industrial development. Theirs was an extremely powerful apparatus for dissolving feudal economies and societies, as well as bringing them more effectively into the international economy. Moreover, the mere existence of an immense mechanism for general trading and finance, at everyone's disposal, helped more progressive economies. The fact that the Dutch, the main immediate profiteers of the crisis, succeeded in cornering so much of the world's trade made it easier for rivals and successors to do the same. Thus we can speak not merely of Anglo-Dutch rivalry, but also of Anglo-Dutch symbiosis. The height of Dutch commercial success in fact coincided with the rise of their rivals, 1675-1725, as the period of maximum British prosperity in the 19th century, 1850-73, was also that of the most rapid development of Britain's future competitors. The tendency to monopoly imparted to trade by the Dutch may also have been important in another respect. It may be doubted whether before the 19th century the world market was large enough for the simultaneous industrialization of two or more countries on the modern scale. (In fact we know that British industrialization coincided with the British capture of virtually all the world's markets for certain manufactured goods, and the control of most of the world's colonial areas). Dutch concentration thus proved extremely important, but it should not therefore tempt us to exaggerate the "modernity" of the Dutch. If the only "capitalist" economies available in the 17th century had been like the Dutch, we may doubt whether the subsequent development of industrial capitalism would have been as great or as rapid.

The conditions for industrial revolution

The second point is equally evident. If the cotton industry of 1760 had depended entirely on the actual demand for piece goods then existing, the railways on the actual demand of 1830, the motor industry on that of 1900, none of these industries would have undergone technical revolution. They might instead have developed like the building trade, which fluctuates roughly with the actual demand for building, sometimes running ahead, sometimes lagging, but never — until the present — pushed to the point of wholesale technical upheaval. Capitalist production therefore had to find ways of creating its own expanding markets. Except in rare and localized cases this is just what it could not do within a generally feudal framework. In a broad sense it achieved this end by transforming social structure. The very process which reorganized the social
division of labour, increased the proportion of non-agricultural workers, differentiated the peasantry and created classes of wage-workers, also created men who depended for their needs on cash purchases — customers for goods. But this is the analyst's way of looking at the matter, not the entrepreneur's, who decided whether or not to revolutionize his production. Moreover it is not at all clear whether in these early stages social transformation was rapid and vast enough to produce an expansion of demand so swift, or a prospect of further expansion so tempting and certain, as to push manufacturers into technical revolution. This is partly so because the "developed areas" in the 17th and early 18th centuries were still relatively small and scattered, partly because the creation of the conditions for capitalist production creates markets for its goods in very different ways. At one extreme we have countries like the U.S.A., which were to develop an intense home market for their manufactures. At the other end — and this was, for various reasons, much more likely in our period — we have countries in which the per capita demand for goods was extremely low, at any rate among the mass of peasants and labourers. If there was to be industrial revolution, a number of countries or industries therefore had to operate within a sort of "forced draught," which fanned the entrepreneurs' cupidity to the point of spontaneous combustion.

How was this "forced draught" generated? The following answers may be suggested. First, (as we have seen) the trade of all countries was largely concentrated in the hands of the most industrially advanced, directly or indirectly. Second, these countries — England in particular — generated a large and expanding demand within their home markets. Third, and perhaps most crucial, a new colonial system, based mainly on the slave-plantation economy, produced a special forced draught of its own, which was probably decisive for the British cotton industry, the real industrial pioneer. All three were probably essential. Which of them provided the main incentive may be debated. But if the argument of this article is correct, we expect to find signs of fundamental change and advance in the world's markets in the latter part of the 17th century, though these should be more marked in the markets controlled by "advanced" capitalist economies than in others.

The undeveloped markets

We know very little about home markets (i.e. the demand of the mass of citizens in any country) before the 20th century. We know even less about that characteristic phenomenon of the modern era,
the rise of demand for unprecedented goods and services like radio (or, in our period, tobacco, tea, coffee, chocolate), as distinct from
the demand for new goods substituting for old needs — nylons for
silk stockings (or, in our period, sugar for older sweetening agents).
Hence we can only speak about market developments with extreme
cautions. However, it is most unlikely that demand increased greatly
in the bulk of continental countries, even among the comfortable
urban middle classes who were the most intensive buyers of standard-
ized manufactures before the 19th century. Tea and coffee remained
luxury articles until the 18th century, and sugar production remained
sluggish between 1630 and 1670.34 There was as yet little substitution
of glass and pottery for metal even among prosperous middle class
families.35 The Swiss watch-making districts (with the exception of
Geneva, which produced luxury articles) did not get into their stride
until the 18th century.36 Retailing remained unspecialized in many
German towns and until the mid-17th century even Parisians still
drew much of their corn from farmers rather than traders.37 There
may have been a growth of rural retailing in the late 16th century,
where towns and lords did not prevent it. However, complaints
about the growth of hawking may indicate a weakening of town
monopolies rather than an increase in rural cash purchases38, and in
any case rural trade slumped during the crisis. Certainly Rennes
and Dijon in our century were no longer the markets they had once
been39. Only the demand for some goods, often monopolized by
states and lords and farmed out by them, may have increased:
tobacco and alcohol40. On balance the crisis can therefore hardly
have favoured the spontaneous development of capitalist industry
for continental home markets. It might favour (a) craft production
for a series of local markets, which retarded the progress of industry
or (b) the rise of very cheap manufactures, by-products of peasant
leisure or oppression.

The most available market in most such countries was also the
least suitable for capitalist development — that of states and
aristocracies. The fact that aristocrats were the greatest savers did
not prevent them from also being great spenders. Thus the Counts
Czernin lent the Emperor four million gulden between 1690 and
1724, yet had enough left over for the most sumptuous building and
spending41. But much of this did not lubricate the wheels of
industry half so effectively as middle class purchases. Thus a
medium-sized Holstein Junker in 1690 employed 45 lackeys and
servants in addition to serfs about the house; more than the regular
staff of the Duke of Bedford in the mid-18th century42. Yet the
future industrialist required not an infinite willingness to keep scores of chefs, stucco artists and perruquiers employed, but mass demand.

Some of this the states and aristocracies did provide, rather inefficiently. First, they did so by means of direct orders for standardized army equipment, uniforms — a 17th century innovation — and the like. Probably the effect of this was greatest in the metal-industries for whom, before the Industrial Revolution, war was the chief customer. Second, they passed on purchasing power to classes with a higher propensity to buy standardized goods than theirs: to soldiers, and the publicans and shopkeepers who battened on them, to small and medium rentiers, and to the mass of civil and personal servants and minor dependents. Indeed in many areas the prospects of a good market depended largely on the efficiency with which valets robbed their masters. Most of these methods found expression in the “great city,” a much more efficient market for goods than the small and medium-size town, let alone the miserable village. In Paris or Vienna a simulacrum of a capitalist home market, with a mass demand for food, household goods, middle class textiles, building materials etc, could come into being — encouraged by the concentration of wealth during the crisis period — though perhaps it stimulated semi-craft expansion like that in the building trades more than industry.

Absolutist states did, of course, also provide financial, political and military backing for risky commercial undertakings such as wars and new industries, and acted as agents for the transfer of wealth accumulated from the peasantry and others to entrepreneurs. It is possible that this may have led to a more efficient tapping of home demand, though, as we know, the main effort of continental mercantilist states was for exports: or at any rate for a combination of various home markets, the country’s own and the captured ones of others. In this task, however, the entrepreneurs of undeveloped states, even with state backing, were at a great disadvantage compared to the developed ones which really did possess a growing home market. Over part of Europe, therefore, the 17th century crisis, unlike that of 1815-48, proved economically sterile; or at any rate, the seeds then sown did not germinate until very much later.

In the maritime areas the home market unquestionably grew greatly. In England at least one is tempted to see the 17th century as the decisive period in the creation of a national market. Here we can claim with some confidence that, by 1700, all sections of the population apart from the most remote were, to some extent, cash customers for goods produced outside their area, and that goods of
common consumption were manufactured in specialized areas for national or for wide regional sale. The giant size of London, of course, gave the home market a great advantage. No other country (barring the Dutch) possessed so vast a proportion of its people concentrated in a single urban block. Prof. Fisher has illuminated the effect of this London market on the English economy as a whole. However, if the rise of the Tyneside collieries — to take one example — is almost entirely due to London, that of the other coalfields, which expanded almost as rapidly, is not. By the beginning of the 18th century, if Defoe is to be believed "there are shopkeepers in every village, or at least in every considerable market town " and a nation of shopkeepers implies a nation of customers. Equally important, hawkers were by this time wholesalers or commercial travellers as much as direct retailers of textiles and hardware. The second half of the 17th century saw the rise of some important semi-industrialized cheap consumer goods industries. The sudden growth of specialized areas for making popular pottery began then: no potters are reported from the Bristol apprenticeship lists before 1671. The Midland hardware trades also began their rise about this time. Most significant of all, even the rural population became, to some extent, customers. Earthenware (instead of the more durable pewter) occurs in Essex farms and cottages from the middle of the century. The growth of the home market certainly exceeded that of population at this period. If we take Harper's estimates of the tonnage of coastal shipping as an index, we find that the combined coastwise and collier tonnage increased by an average of less than 1,000 tons per year from 1582 to 1609/15 and by an average of over 1,100 tons per year from then on till 1660; the number of London's coastwise ships trebled between 1628 and 1683. Similarly the rise of imports in this period appears to have been greater than that of exports. At any rate we can see why 17th century English economists congratulated themselves on possessing a large home market for "middling" goods, unlike the chief continental states.

In certain respects, moreover, all the maritime states may be considered as one large, diversified home market, lying as they did close to one another. Within this area international trade could be, and was, far more intense than trade between each maritime state and its (non-colonial) export markets. Thus English coal was sold almost entirely to the home market, the Dutch and their dependencies, and the colonies. Again, the trade in beer between Hamburg and the United Provinces can count virtually as trade within such an extended "home market."
Three results would follow the development of such home markets. **First**, they would assist the disintegration of the old economy, progressively turn citizens into cash purchasers and cash earners, and encourage the increasing import of food and raw materials, thereby stimulating the growth of exports. (Indeed, the development of an intensive home market was itself a sign that social transformation had gone quite a long way). Moreover, as Marx has shown, the home market demands not only consumer but also capital goods. **Second**, it provided a large and fairly steady reservoir of demand for goods, and hence of productive capacity — a stable foundation for rapid expansion, and a cushion against the chanciness of the export market. Moreover, the maritime home markets with their millions of inhabitants were vastly larger than the medieval city markets at their greatest. **Third**, it might under specially favourable conditions expand so rapidly as to produce within itself the impetus to revolutionize certain industries. The mining industry had clearly by 1700 got to the verge of industrial revolution mainly by such means. Perhaps industries like brewing and soap-making benefited in a similar manner. Nevertheless this was probably not normal. The really headlong and limitless prospects of expansion which encouraged, and indeed compelled, technical revolution were probably most easily achieved in the export markets, though it is doubtful whether any country not possessed of a developed home market could, in the 17th and 18th centuries, have been in a position to seize export opportunities. We must therefore consider export prospects.

**Colonial and export markets.**

The major achievement of the 17th century crisis is the creation of a new form of colonialism. As we have seen under the 16th century colonial system — which, by the way, the Dutch took over virtually unchanged — the colonial market for home manufactures was unimportant, though a large colonial undertaking or the state, considered as an employer of labour and a buyer of capital and consumer goods, stimulated the home economy in addition to bringing in profits for accumulation. Between 1660 and 1681 the East Indies traffic is said to have been only one twelfth of the total Dutch traffic. Traders seemed to show little enthusiasm for the consumer demand in Latin America. However the possibilities of colonial markets were transformed with the foundation of plantation colonies which produced without systematic restriction of output, and of European colonies of settlement. The middle of the 17th century, here again, marks a turning point. At any rate such
quantitative information as we have about the slave-trade demonstrates how incomparably smaller the imports before the Restoration were than in the golden age of the trade in the 18th century. We may, summarising the scattered information, estimate the average annual import of live slaves into the Americas in the 1640s — the peak of Brazilian sugar-production — as of the order of 10,000, between the 1730s and the 1780s as of the order of 50–100,000. By the time the British Africa Company had been reconstituted, and two French Companies, the Senegal and Guinea, had been founded specifically for the slave trade in 1673 and 1685, the stage was set for the great colonial boom.

The new types of colony were to some extent "captive markets" which depended on home supplies. Half of the planter’s profit, it was estimated, returned to the West Indies in the form of merchandise: nails and ironware, saddlery, a variety of ordinary textiles, bricks for ballast, pots for molasses, in fact just the sort of merchandise to encourage the future industrialist and perhaps the progressive farmer. The rising supply of slaves set up a rising demand for goods in Africa — always a market for European exports; the growing supply of increasingly cheap plantation goods like sugar and tobacco, a rising demand for European goods in the plantations and elsewhere. Political control by European powers enabled them to cope with any unwelcome competition from the colonies, as well as to rob their unhappy natives with remarkable efficiency. This was very much the kind of expansion which manufacturers needed, though the self-expanding market was bound to fluctuate with the vagaries of war and politics, not to mention economic difficulties. Indeed, as Marx argued that they must, they relied largely upon it in these early stages. By 1700 something like 20% of English exports may have gone to areas which could be described as colonial (including the colonies of other states). In 1759-60 and 1770 over one third went to British colonies alone, not counting direct exports to Spanish and Portuguese colonies. Moreover, if one can judge by the statistics of 1784, when exports first came to be distinguished from re-exports, the colonies were even better customers than these figures imply. Half our exports then went to them (including the recently emancipated USA). The importance of the colonial market for cotton piece-goods exports is even more striking. Until 1770 — that is to say in the crucial period leading up to the industrial revolution — it (including Ireland) never took less than some 90% of them.
However, like the new serf-economies, the new colonial economies were not capable of permanent expansion, and for the same reasons: their use of land and labour was essentially extensive and inefficient. Moreover, the supply of slaves (who rarely reproduced themselves on a sufficient scale) could not be increased fast enough, as is suggested by the rapidly rising trend of slave-prices. Hence exhaustion of the soil, inefficiencies of management and labour difficulties led to something like a "crisis of the colonial economy" from the 1750s. This found various forms of expression — for instance anti-slavery sentiment, and the Home Rule movements of local white settler oligarchies which grew up rapidly in the last third of the 18th century in Latin America, in the West Indies, North America and Ireland, and contributed to the development of revolution in Western Europe. However, we cannot here discuss the difficulties of the new colonialism. It is sufficient to remind ourselves that its adoption gave the "advanced" economies several precious decades of dizzy economic expansion from which they drew inestimable benefits.

None of these developments were wholly new, yet all were greatly advanced by the 17th century crisis. Absolutism and its great capital cities on the continent were strengthened by it. The triumph of the English Revolution hastened the social transformation of England, and thereby the formation of an active home market. Lastly, the new colonialism developed where the old was impossible or no longer profitable, and when the old colonialists had grown too weak to fight off interlopers, though remaining strong enough to stop them from capturing bullion and spices. On the other hand none of them were the result of planning. Brazil had grown up as a plantation colony while Portugal was looking elsewhere, and flourished greatly as a result, resisting Dutch attempts to detach it from Portugal. The Dutch, on the other hand, had all the old fashioned distaste for expanded production and lowered prices, as is shown by their attitude to sugar — and to a lesser extent coffee — production in their empire and to overseas settlement. The Brazilians turned their eyes to gold and diamonds as soon as they discovered them on their territory at the end of the century. In a sense, therefore, the progressive "new" economies established themselves because of the partial ruin of the old, which the 17th century crisis brought about.

III

This article has attempted to show two things, first, that the seventeenth century crisis provided its own solution, and second, that it did so in indirect and roundabout ways. But for the existence of
countries capable of wholeheartedly adopting the new — and as it turned out, revolutionary and economically progressive — economic systems, it might well have led to far greater stagnation or regression than it did. But of all the economies the most "modern," the most wholehearted in its subordination of policy to the capitalist entrepreneur was England: the country of the first complete "bourgeois revolution." Hence, in a sense, the economic history of the modern world from the middle of the 17th century hinges on that of England, which began the period of crisis — say in the 1610s — as a dynamic, but a minor power, and ended it in the 1710s as one of the world's masters. The English Revolution, with all its far-reaching results, is therefore in a real sense the most decisive product of the 17th century crisis.

These, then, are some suggestions about the economic development of Europe in a crucial, but still surprisingly obscure period. They may not resist criticism. However, it is to be hoped that they will serve to stimulate further work on the origins of modern capitalism.

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NOTES

4 I owe my knowledge of this to Prof. H. J. Habakkuk, Dr. J. D. Chambers, Mr. D. C. Coleman, Mr. D. Joslin and other students of the period.
10 G. N. Clark, op. cit. 76.
See Doreen Warriner, Some controversial issues in the history of Agrarian Europe (Slavonic Review XXXII, 1953, 168 ff.).


Stoyanovitch loc. cit.


E. Coornaert, *Les corporations en France* (1941), cap. V.


The crisis of the 17th century—II

41 G. Hanssen, Agrarhistorische Abhandlungen (1880), 457; G. Scott Thompson, The Russells of Bloomsbury (1940), 238.

41 These have been discussed, but their importance exaggerated, by Sombart: Krieg u. Kapitalismus, Luxus u. Kapitalismus.

42 For the Viennese meat market, Hassinger, D. erste Wiener orientalische Handelskompanie 1667–83 (Vierteljahrschr. f. Soz & Wirtsch, Gesch. XXXV, 1).

43 G. des Marez, La transformation de la ville de Bruxelles au 17e s. (Etudes Indédiées, 1936, 129–31).


44 The English Tradesman (1727), 334.

44 G. des Marez, La transformation de la ville de Bruxelles au 17e s. (Etudes Indédiées, 1936, 129–31).

45 For the Viennese meat market, Hassinger, D. erste Wiener orientalische Handelskompanie 1667–83 (Vierteljahrschr. f. Soz & Wirtsch, Gesch. XXXV, 1).


47 The English Tradesman (1727), 334.

47 G. des Marez, La transformation de la ville de Bruxelles au 17e s. (Etudes Indédiées, 1936, 129–31).

48 This problem is discussed in League of Nations, Industrialization & Foreign Trade (1945), 118.

48 Oldmixon, The British Empire in America (1708), II, 163.

48 Wadsworth & Mann, op. cit. 72 n. Enjalbert, loc. cit. The demand of settlement colonies like New England would be even better.


49 Macpherson, op. cit. vol. IV; Wadsworth & Mann, op. cit. 146–7.

49 Well discussed in L. Dermigny, Saint Domingue au 17e & 18e ss. (Rev. Hist. 1950, No. 204, p. 257–8.)


49 Savary, Le Parfait Négociant (1675), II, 78.

49 cf. the dates of the beginning of sugar-plantation and exports in the West Indies in Past & Present V, note 15, cf. also W. Borah: New Spain's Century of Depression (Ibero-Americana 35, 1951), a very suggestive study.


49 Oldmixon, The British Empire in America (1708), II, 163.

49 Wadsworth & Mann, op. cit. 72 n. Enjalbert, loc. cit. The demand of settlement colonies like New England would be even better.


49 Macpherson, op. cit. vol. IV; Wadsworth & Mann, op. cit. 146–7.

49 Well discussed in L. Dermigny, Saint Domingue au 17e & 18e ss. (Rev. Hist. 1950, No. 204, p. 257–8.)


49 Lannoy & Linden, op. cit. 264 ff., 360; A. N. Coombes, Evolution of Sugar Cane Culture in Mauritius (1937).