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0521372097 - State Corporatism and Proto-Industry: The Wurttemberg Black Forest, 1580-1797

Sheilagh Ogilvie

Excerpt

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Introduction

In the 1560s, the inhabitants of the Swabian Black Forest, a hilly and wooded region of the Duchy of Württemberg, found a new way of making a living. They began to weave light worsted cloths called *Engelseite* or *Zeuge*, and sell them to export markets throughout central and southern Europe. Swiftly this new industry became the most important single livelihood in many villages and small towns in the region, surpassing the older weaving of heavy woollens for local and regional consumption. For the next 240 years, the production of light, inexpensive worsted cloths for export would remain one of the two most important industries in Württemberg, and the economic mainstay of a region of more than 1,000 square kilometres, one-ninth of the total land area of the duchy. The history of this industry is not an economic success story. Although it survived for more than nine generations, it stagnated after the first remarkable expansion, and its workers' struggle for survival became very grim. Yet it was probably the most important German worsted industry until about 1700 and, despite the rise of competitors, retained a significant presence on south German, Swiss, and Italian markets until the late 1790s. Pockets of domestic worsted production still survived in the region well into the nineteenth century.¹

This industry is an example of what has been called 'proto-industry': the export-oriented cottage manufacturing which arose throughout Europe in the two or three centuries before factory industrialization. 'Proto-industries' are distinguished from traditional crafts because they produced for export markets outside the region rather than for

¹ See the distinguished early study of this industry (although based wholly on merchant and state documents): W. Troeltsch, *Die Calwer Zeughandlungskompagnie und ihre Arbeiter: Studien zur Gewerbe- und Sozialgeschichte Altwürttembergs* (Jena, 1897), here esp. 172–73, 177, 181–82, 186, 194–99.

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local consumption, consequently formed dense concentrations of particular branches of production, and were often practised in rural areas alongside agriculture. Between 1500 and 1800, almost every part of Europe, from Ireland to Russia and Ottoman Bulgaria, and from Scandinavia to the Iberian peninsula, saw the growth of such concentrations of export-oriented dispersed manufacturing. In some areas, such as the Low Countries, they can be observed before 1500, but in most parts of Europe their heyday was in the seventeenth and eighteenth centuries. Most proto-industries produced textiles (especially from wool and flax), but some important regions mined and processed metals (above all iron), and as the early modern period progressed export-oriented industries grew up around glass, wood, clay, straw, willow-plaits – indeed, almost every conceivable raw material.

The growth of such industries has long been recognized as a distinctive feature of the early modern European economy. But in the 1970s, they were christened ‘proto-industries’, and placed at the centre of a ‘theory of proto-industrialization’, which argued that they wrought revolutionary changes in the demography, economy and society of modern Europe. Franklin Mendels, the inventor of the term ‘proto-industry’, argued that when early modern industries moved to the countryside they broke down the urban institutions regulating manufacturing and the rural institutions regulating demographic behaviour. This led to a population explosion, which in turn caused further proto-industrial expansion, in a self-sustaining spiral which ultimately generated the supplies of labour, capital, entrepreneurship, agrarian output, and foreign markets required for factory industrialization.²

At the time Mendels was writing, empirical studies were increasingly suggesting that capitalism and industrialization had developed gradually during the early modern period rather than arising suddenly in a period of revolutionary transformation after 1750.³ The concept of proto-industrialization was viewed as a welcome contribution to this gradualist view, and was widely adopted by economic, social and demographic historians. Between 1972 and 1977, different theories of

² F. F. Mendels, ‘Industrialization and population pressure in eighteenth-century Flanders’ (Ph. D. dissertation, University of Wisconsin, 1969), subsequently published as F. F. Mendels, *Industrialization and population pressure in eighteenth-century Flanders* (New York, 1981); F. F. Mendels, ‘Proto-industrialization: the first phase of the industrialization process’, *Journal of economic history* 32 (1972), 241–61.

³ The disagreements between ‘gradualists’ and ‘revolutionaries’ in the industrialization debate is, however, far from settled: see, for instance, M. Berg and P. Hudson, ‘Rehabilitating the Industrial Revolution,’ *Economic history review* 45 (1992), 24–50.

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proto-industrialization proliferated.⁴ They often disagreed fundamentally about the causes of economic and social change: thus David Levine regarded the key factor as 'proletarianization', Joel Mokyr focussed on 'surplus labour', and Peter Kriedte, Hans Medick and Jürgen Schlumbohm emphasized the transition from a 'feudal' to a 'capitalist' organization of society.⁵ But all proto-industrialization theories were united in arguing that the source of change lay in a particular economic sector – export-oriented domestic industry.

The worsted industry of the Württemberg Black Forest was identified as a proto-industry almost from the beginning.⁶ It produced mainly for export, selling tens of thousands of worsteds every year to markets in Italy, Poland, Silesia, Switzerland, Austria, Bavaria and other parts of the southern Empire.⁷ It was dense, concentrated in six small administrative districts in the Black Forest, and employing up to half the families in some communities. It was rural, practised in villages and very small agrarian towns of 1,500–2,000 inhabitants.⁸ It was carried out alongside farming: in 1736, 80 per cent of village weavers in the most important industrial district still lived partly from their own land.⁹ It thus satisfies all the conditions for a classic proto-industry.

But closer scrutiny reveals a number of features which throw doubt on basic assumptions about European proto-industrialization. Rich documentary sources survive for the industry itself and some communities where it was practised. Among them is a series of annual account-books for a 'regional' (rural–urban) weavers' guild in the densely proto-industrial district of Wildberg; this guild was established in 1598 and survived into the nineteenth century. There are also detailed records for a guild-like company of merchant-dyers, the famous Calwer Zeughandlungskompagnie, which enjoyed state privileges over the Württemberg worsted industry from 1650 until its own voluntary dissolution in 1797.

⁴ These theories are discussed in Chapter 2 below, as well as in S. C. Ogilvie, 'Proto-industrialization in Europe', *Continuity and change* 8 (1993), 159–79, and S. C. Ogilvie and M. Cerman, 'The theories of proto-industrialization', in S. C. Ogilvie and M. Cerman (eds.), *European proto-industrialization* (Cambridge, 1996), 1–11.

⁵ P. Kriedte, H. Medick and J. Schlumbohm, *Industrialization before industrialization: rural industry in the genesis of capitalism* (Cambridge, 1981); D. Levine, *Family formation in an age of nascent capitalism* (London, 1977); J. Mokyr, 'Growing-up and the industrial revolution in Europe', *Explorations in economic history* 31 (1976), 371–96.

⁶ Kriedte, Medick and Schlumbohm, *Industrialization*, 2, 5, 49, 50, 54.

⁷ Troeltsch, *Zeughandlungskompagnie*, esp. 172–73, 177, 181–2, 186, 194–9.

⁸ For numbers of weavers in different communities, see Troeltsch, *Zeughandlungskompagnie*, 107 (table), 10, 17, 22, 40–1, 78, 103–5, 107–8, 176, 183, 209–10, 253–5, 282, 293–4, 298, 306, 310, 314, 334, 336–8, 383, 387, 392; and Chapters 6 and 8 below.

⁹ HSAS A573 Bü 6967 (1736); see the discussion in Chapter 8 below.

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This presents a major problem for the concept of proto-industrialization as we know it. A central tenet of all versions of the theory is that proto-industrialization broke down traditional social institutions, in particular guilds and merchant companies. Yet in the Württemberg Black Forest we find two vigorous corporate institutions, generating massive documentary deposits and surviving throughout the lifespan of the industry. This co-existence of proto-industry and corporate institutions needs to be explained, and that is one aim of this book.

But Württemberg is not simply an anomalous case which, although troubling for the theory of proto-industrialization, can be explained in terms of local peculiarities, and classed as one of the many curiosities of European regional development. For when we examine the empirical studies now available, we find that only in a few areas, notably England and the Low Countries, did traditional social institutions give way to vigorous factor and product markets from the sixteenth century onward – and there it occurred in agrarian regions as well as proto-industrial ones. By contrast, in most parts of Europe, traditional institutions were *not* replaced by new capitalist markets once proto-industries arose. Instead, in many societies non-market institutions – guilds, merchant companies, privileged towns, rural communities, feudal landlords, and of course the expanding early modern state – constrained most economic activities, including proto-industry, into the late eighteenth or early nineteenth century.¹⁰ The survival of non-market institutions in the Württemberg proto-industry was thus no anomaly, but rather a pattern typical for much of Europe.

This book explores the micro-level implications of this finding, while addressing three broader questions. The first is the question of the role played by social institutions other than the market in the development of proto-industry and of the early modern European economy in general. The second is the question of the role of ‘mentalities’ in explaining the economic and demographic behaviour of early modern Europeans. The third concerns the economic and social effects of a particular set of non-market institutions, the guilds and merchant companies which – as Chapter 11 will show – dominated industry and commerce in many European societies to the end of the early modern era.

¹⁰ These findings and their implications are discussed in Chapter 11 below, as well as in S. C. Ogilvie, ‘Social institutions and proto-industrialization’, in Ogilvie and Cerman, *European proto-industrialization*, 23–37.

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I The economic role of social institutions

What role did social institutions play in the development of the early modern European economy? The growth of the market is only one aspect of the institutional changes in Europe between 1500 and 1800, and it took place most strikingly in England, the Low Countries and a handful of other institutional enclaves. In this book I will suggest that the institutional developments in these exceptional areas should not be projected uncritically onto other societies. At the same time as the market began to emerge as a major institution (at least in some societies), so too did the modern state. In many early modern European societies, the state grew more rapidly than the market, and had a greater impact on society and the economy – not only directly, through taxation, warfare and bureaucratic regulation, but indirectly, by granting and enforcing corporate privileges to existing institutions and interest groups, in return for their cooperation with its military, fiscal and regulatory aims.¹¹ This is what is referred to in this book as ‘state corporatism’.

This study traces the workings of state corporatism in a particular industrial region. Early modern Württemberg had its own peculiarities, particularly the importance of community and guild institutions and the relative unimportance of seigneurial ones. However, as Chapter 11 will try to show, the symbiotic relationship in Württemberg between existing non-market institutions and the emerging bureaucratic state was more typical of early modern Europe than were the comparatively unregulated markets and – until the eighteenth century – flaccid state structures of England and the Low Countries. This regional study seeks to demonstrate how taking account of the interplay between the state and privileged corporate institutions can help explain divergent economic and social outcomes in different parts of Europe.

Taking account of institutions other than markets has a further important advantage: it provides a more accurate picture of the *constraint structure* within which early modern Europeans made decisions. Economists define ‘constraints’ primarily in terms of prices (costs) and budgets (incomes), which conventional economic theory assumes to have been determined in the market; and in terms of technology, which is assumed to be exogenously given. For a historical economy (indeed for most modern economies, as well, if truth be told) matters are not so

¹¹ See S. C. Ogilvie, ‘Germany and the seventeenth-century crisis’, *Historical journal* 35 (1992), 417–41.

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simple. Prices and incomes have been determined by the interplay among a variety of social institutions, of which the market is only one, and may well be the least important. In the pre-industrial economy prices are frequently unknown; even if they are known, the money price seldom tells the whole story. The price to which economic agents respond consists of the money price plus other costs denominated less precisely but with no less influence on people's actions.

This means that, as I shall argue in later chapters, in a pre-industrial economy it is particularly important to understand 'cost' in the usual economic sense of *opportunity cost*. All forms of production require inputs – labour, capital, land and raw materials. Because each of these could be used in other ways, it has what economists call an opportunity cost – a cost in terms of the next-best alternative use for it. Opportunity cost is a more useful way of thinking about costs than simple money costs, because it can measure the cost of goods which are not traded in the market and do not have prices expressed in money terms. In early modern economies, many goods were not formally traded in the market and thus did not have money prices; this was especially the case for labour, which was the most important input for most proto-industries. But all goods had opportunity costs: labour which a household allocated to weaving worsteds could not simultaneously be used for agricultural labouring; land used to pasture sheep for wool could not simultaneously be used for arable farming; capital invested in wool or looms could not be used to buy cattle or build a barn. So, for instance, opportunity costs explain why industries often arose in hilly, infertile regions such as the Württemberg Black Forest: the opportunity cost of allocating labour, land and capital to industrial purposes was very low in terms of forgone agricultural income.

What determined the opportunity costs of labour, land, capital and other resources? Economic historians have tended to devote a great deal of attention to one important set of determinants, the natural resource endowments of a particular economy: its climate, soil, mineral resources, topographical barriers to transportation, location near trade routes and so on. But these were not the only variables affecting costs and prices. Proto-industries, for instance, arose in regions with no special physical characteristics to favour their development. Even industries with the same technical requirements could arise in a variety of environments, and could develop very differently as a consequence. Moreover, many regions with infertile soils, good energy supplies, or cheap sources of raw materials failed to develop proto-industries. Technical and physical factors alone were neither nec-

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essary nor sufficient to cause proto-industries to arise or to develop in specific ways.¹²

In this book I shall try to show that input costs and output prices in proto-industries were also affected by the *social institutions* governing transactions in the inputs and outputs in question: the ways in which markets in land, labour, capital, raw materials, foodstuffs and industrial output were regulated by village communities, landholding systems, urban centres, occupational corporations such as guilds and merchant companies, and the state. What mattered, as I shall argue in Chapter 11 below, was not merely the strength or weakness of these institutions, but the precise way in which they increased or reduced costs. Although we may not be able to quantify the institutional components of the price in precise terms, we can frequently establish their existence, the ways in which they affected people's behaviour, and the direction they changed over time. I shall argue that accurate modelling of the institutional characteristics, as well as the natural and physical factors, which determined the opportunity cost of resources can help us to advance better explanations for the behaviour of economic agents, and thus for the path followed by the whole economy.

II The economic role of mentalities

This leads to the second question this book addresses: the role of 'mentalities' in explaining economic and demographic behaviour. Some social scientists – including some historians – view pre-industrial economic mentalities as being fundamentally different from modern ones. They hold that hunting societies, or peasant societies, or European societies before a certain date, or 'workers' in proto-industrial societies, lack the mentality required for the economist's tools to be applicable to them. Hunting societies, for instance, are sometimes claimed to engage in a 'domestic mode of production', in which available resources remain under-exploited.¹³ In contrast to the assumptions of 'the existing business economy', i.e. 'that man's wants are great, not to say infinite, whereas his means are limited', hunting societies are said to assume 'that human material wants are finite and few, and technical

¹² For German industrial regions, this is shown by the detailed investigation by Karl-Heinrich Kaufhold, 'Gewerbelandschaften in der frühen Neuzeit (1650–1800)', in H. Pohl (ed.), *Gewerbe- und Industrielandschaften vom Spätmittelalter bis ins 20. Jahrhundert* (Stuttgart, 1986), 112–202; see also the discussion of the relationship between industry and nature in early modern Germany, in S. C. Ogilvie, 'The beginnings of industrialization', in S. C. Ogilvie (ed.), *Germany: A social and economic history*, vol. II: 1630–1800 (London, 1996), 263–308, here 276–81.

¹³ M. Sahlins, *Stone age economics* (Chicago, 1972), 41.

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means unchanging but on the whole adequate'.¹⁴ Peasant societies, too, are said to have a different 'economic mentality': available resources may sometimes be exploited to the limit, but not for the purpose of maximizing individual utility. Instead, peasant societies are said to operate according to the corporate norms of a redistributive 'moral economy', in which stable subsistence for the community or the family is preferred to individual maximization: 'Living close to the subsistence margin and subject to the vagaries of weather and the claims of outsiders, the peasant household has little scope for the profit maximization calculus of traditional neoclassical economics.'¹⁵

Pre-industrial Europeans are often portrayed as having shared these 'peasant' mentalities. At most, a small elite of 'emerging capitalists' is seen as having engaged in 'rational', maximizing behaviour. This is the view taken by both major versions of the theory of proto-industrialization. Mendels portrays proto-industrial workers as having irrationally maintained high marriage and fertility rates, irrespective of economic fluctuations, because they were backward and illiterate.¹⁶ Kriedte, Medick and Schlumbohm systematized this into an explicit theory, according to which proto-industrial workers engaged in 'self-exploitive' economic and demographic behaviour, along the lines postulated for peasants by Alexander Chayanov, while a rising capitalist class of proto-industrial merchants maximized profits; the interaction between these two distinct economic mentalities is held to have been the engine of European capitalist accumulation.¹⁷

There are, however, problems with these ideas. People's actions, and the constraints within which they take these actions, can be observed, but the objectives they are pursuing, and the psychological processes by which they do so, cannot. Consequently, theories about values and mentalities are difficult to formulate in a refutable way. These difficulties have given rise to the much criticized 'economic approach'. This approach assumes that people have relatively stable basic preferences, and that they seek to pursue these preferences (or 'maximize their utility'), within a certain 'constraint structure' (the characteristics of the world around them, usually described in terms of prices, budgets and technology). In short, the economic approach tries to explain changes

¹⁴ *Ibid.*, 2.

¹⁵ J. C. Scott, *The moral economy of the peasant: Rebellion and subsistence in Southeast Asia* (New Haven, 1976), 4.

¹⁶ Mendels, 'Proto-industrialization', 249ff.; Mendels, *Industrialization*, 247.

¹⁷ Kriedte, Medick and Schlumbohm, *Industrialization*, 40–1, 79; H. Medick, 'The proto-industrial family economy: the structural function of household and family during the transition from peasant society to industrial capitalism', *Social history* 1 (1976), 291–315, here 299, 305.

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or differences in people's behaviour in terms of changes or differences in the external characteristics of the world around them, rather than in terms of changes or differences in their desires or the way they think.¹⁸

It is possible to enjoy the benefits of this approach in generating refutable empirical predictions, at the same time as recognizing precisely where it stops: first, preferences do in fact vary across individuals, groups and societies, and may change over time; and second, while all agents possess *some* strategies of rational maximization, their mastery of them will vary, and other maximization strategies must be learned. The economic approach does not exclude the possibility that unobservable differences in preferences or rationality may play a role in explaining human behaviour. What it does is to concentrate on how much variation in people's behaviour can be explained in terms of observable characteristics of the world around them. That is, it tries to formulate theories which can be refuted by available evidence.

This approach has been used with success in studying present-day less developed societies. The population expansion, for instance, which sometimes accompanied the expansion of domestic industry in early modern Europe, and which may sometimes have led to a fall in the average material standard of living, is viewed as evidence that proto-industrial workers were not rational in the sense used by economists. For a long time a similar view was also popular among those studying demographic behaviour in modern less developed economies. But in recent years it has begun to be recognized that poor people in poor economies have large numbers of children for reasons which are perfectly intelligible in terms of modern economics: the benefits they gain from children are high (in the form of labour and of welfare provision in the parents' old age), and the costs of having children are low (particularly the opportunity costs for women, who in most poor economies have few labour market opportunities). What is particularly important for analysing demographic behaviour in early modern European proto-industrial regions is that the size of these benefits and costs is strongly affected by differences in social institutions. Child labour is more valuable where the family, rather than the market, is the main institution for allocating labour. Children as insurance for accident or old age are more valuable where risks are high, geographical mobility is low, and capital markets and welfare institutions are poor, so that insurance and saving must take place through the family. The opportunity costs of time spent in child-rearing are lower where earnings are

¹⁸ See the discussion of these issues in G. S. Becker, 'The economic approach to human behavior', in G. S. Becker (ed.), *The economic approach to human behavior* (Chicago, 1976), 1-14, here esp. 5-9, 11-13.

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low and where there are institutional restrictions on women's activity outside the family. In poor economies with institutional features such as these, high fertility may be a wholly rational way for poor people to maximize their own economic well-being. In such a context, children are alleviating, not exacerbating, the threats to survival posed by low material standards of living. This does not mean that the individual rationality of high fertility aggregates to a collectively rational outcome: many have argued that high fertility, while individually rational, has negative 'externalities' (spillover costs) for a poor economy collectively.¹⁹ Chapter 8 of this book explores the usefulness of this approach in explaining the demographic behaviour of proto-industrial producers.

The organization of economic transactions in early modern Europe is also sometimes adduced as evidence that pre-industrial people thought differently from modern people. It is often pointed out that in pre-industrial economies people carry out economic activities not through impersonal market transactions, but rather in other, distinctively 'non-market' ways. Theories of proto-industrialization argue that proto-industry changed this; but as already remarked, in many European proto-industries non-market institutions continued to govern economic behaviour. Should this perpetuation of non-market economic rules into the 'era of capitalism' be ascribed to pre-industrial *mentalities*? Or can it be explained by external constraints?

The modern less developed societies for which the economic approach has generated useful demographic and economic predictions include many in which the market is not highly developed, and in which non-market institutions such as corporate groups are very powerful. Sutti Ortiz, for example, studied a society of Colombian alpine peasants who, like the German proto-industrial producers studied in this book, followed 'corporative' economic strategies which anthropologists had often portrayed as non-maximizing or irrational. Ortiz, by contrast, argued that this behaviour could be understood as rational and maximizing, given these peasants' superior information about their environment and how best to survive in it:

The peasant's goals and aspirations are not altogether different from our own; his behavior can be explained without having to resort to a different logical framework; his uncertainties are phrased differently, perhaps, but his response to them is similar to ours. Peasants are not endowed with a different soul or a different perception of the world from ours. If they behave differently, if they

¹⁹ For an excellent recent summary of theory and research on these issues in poor countries nowadays, see P. Dasgupta, *An inquiry into well-being and destitution* (Oxford, 1993), esp. 344–70.