

# Chapter III. The Rise of National Economy

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EVERYONE knows that the modern man's way of satisfying his numerous wants is subject to continual change. Many arrangements and contrivances that we find necessary were unknown to our grandparents; and our grandchildren will find inadequate much that perhaps only a short time ago aroused our admiration.

All those arrangements, contrivances, and processes called forth to satisfy a people's wants constitute national economy. National economy falls again into numerous individual economies united together by trade and dependent upon one another in many ways; for each undertakes certain duties for all the others, and leaves certain duties to each of them.

As the outcome of such a development, national economy is a product of all past civilization; it is just as subject to change as every separate economy, whether private or public, and whether directly ministering to the wants of a larger or a smaller number of people. Furthermore, every phenomenon of national economy is a phenomenon in the evolution of civilization. In scientifically defining it and in explaining the laws of its development we must always bear in mind that its essential features and its dynamic laws are not absolute in character; or, in other words, that they do not hold good for all periods and states of civilization.

The first task, then, which national economy presents to science is to determine and explain the facts. But it must not be content with a merely dynamic treatment of economic processes; it must

also seek to deduce their origin. A full understanding of any given group of facts in the history of a civilized people requires that we know how the facts arose. We shall, therefore, not escape the task of investigating the phases of development through which the economic activity of civilized peoples passed before it assumed the form of the national economy of today, and the modifications undergone by each separate economic phenomenon during the process. The material for this second part of the task can be drawn only from the economic history of the civilized peoples of Europe; for these alone present a line of development which historical investigation has adequately disclosed, and which has not been deflected in its course by violent disturbances from without; though, to be sure, this upward development has not always been without interruption or recoil.

The first question for the political economist who seeks to understand the economic life of a people at a time long since past is this: Is this economy national economy; and are its phenomena substantially similar to those of our modern commercial world, or are the two essentially different? An answer to this question can be had only if we do not disdain investigating the economic phenomena of the past by the same methods of analysis and deduction from intellectually isolated cases which have given such splendid results to the masters of the old "abstract" political economy when applied to the economic life of the present.

The modern "historical" school can hardly escape the reproach that, instead of penetrating into the life of earlier economic periods by investigations of this character, they have almost unwittingly applied to past times the current classifications of modern national economy; or that they have kneaded away so long at conceptions of commercial life that these perforce appear applicable to all economic periods. In so doing they have without doubt greatly obstructed the path to a scientific mastery of those historical phenomena. The material for economic history, which has been brought to light in such great quantities, has for this reason largely remained an unprofitable treasure still awaiting scientific utilization.

Nowhere is this more plainly evident than in the manner in which they characterize the differences between the present economic methods of civilized nations and the economic life of past epochs, or of peoples low in the scale of civilization. This they do by setting up so-called *stages of development*, with generic designations made to

embrace the whole course of economic evolution.

The institution of such "economic stages" is from the point of method indispensable. It is indeed only in this way that economic theory can turn to account the results of the investigations of economic history. But these stages of development are not to be confounded with the time-periods of the historian. The historian must not forget to relate in any period everything that occurred in it, while for his stages the theorist need notice only the normal, simply ignoring the accidental. In treating of the gradual transformation, frequently extending over centuries, which all economic phenomena and institutions undergo, his only object can be to comprehend the whole development in its chief phases, while the so-called transition-periods, in which all phenomena are in a state of flux, must, for the time, be disregarded. By this means alone is it possible to discover the fundamental features, or, let us say it boldly, the laws of development.

All early attempts of this class suffer from the defect of not reaching the essentials, and touching only the surface.

The best known series of stages is that originated by *Frederick List*, based upon the chief direction taken by production. It distinguishes five successive periods which the peoples of the temperate zone are supposed to have passed through before they attained their present economic condition, namely: (1) the period of nomadic life; (2) the period of pastoral life; (3) the period of agriculture; (4) the period of combined agriculture and manufacture; and (5) the period of agriculture, manufacture, and commerce.

Another series evolved by *Bruno Hildebrand*, which makes the condition of exchange the distinguishing characteristic, comes somewhat closer to the root of the matter. It assumes three stages of development: period of barter; period of money; and period of credit.

Both, however, take for granted that as far back as history reaches, with the sole exception of the "primitive state," there has existed a national economy based upon exchange of goods, though at different periods the forms of production and exchange have varied. They have no doubt whatever that the fundamental features of economic life have always been essentially similar. Their sole aim is to show that the various public regulations of trade in former times found their justification in the changing character of production or exchange, and that likewise in the present different conditions demand different regulations.

The most recent coherent presentations of economic theory that have proceeded from the members of the historical school remain content with this conception, although in reality it stands upon a scarcely higher plane than the favourite historical creations of abstract English economics<sup>129</sup>. This we will endeavour briefly to prove.

The condition of society upon which *Adam Smith* and *Ricardo* founded the earlier theory is that of a commercial organization based upon division of labour; or let us rather say simply, of national economy in the real sense of the term. It is that condition in which each individual does not produce the goods that he needs, but those which in his opinion others need, in order to obtain by way of trade the manifold things that he himself requires; or, in a word, the condition in which the cooperation of many or of all is necessary in order to provide for the individual. English political economy is thus in its essence a *theory of exchange*. The phenomena and laws of the division of labour, of capital, of price, of wages, of rent, and of profits on capital, form its chief field of investigation. The whole theory of production and especially of consumption receives very inadequate treatment. All attention is centred upon the circulation of goods, in which term their distribution is included.

That there may once have existed a condition of society in which exchange was unknown does not occur to them; where their system makes such a view necessary they have recourse to the Robinson Crusoe fiction so much ridiculed by later writers. Usually, however, they deduce the most involved processes of exchange directly from the primitive state<sup>130</sup>. *Adam Smith* supposes that man is born with a natural instinct for trade, and considers the division of labour itself as but a result of it.<sup>131</sup> *Ricardo* in several places treats the hunter and the fisher of primitive times as if they were two capitalistic entrepreneurs. He represents them as paying wages and making profits; he discusses the rise and fall of the cost, and the price, of their products. *Thünen*, to mention also a prominent German of this school, in constructing his isolated State starts with the assumption of a commercial organization. Even the most distant region, which

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<sup>129</sup>[Regarding the omission from special mention of *Schmoller's* territorial series: village, town, territory, and State, we may refer to Professor *Schmoller's* review of the first German edition and Professor *Bücher's* reply in *Jhb. f. Gesetzgeb.*, etc., XVII and XVIII (1893-94). See also *Schmoller, Grundriss d. Volkswirtschaftslehre*, I (Leipzig, 1900).—ED.]

<sup>130</sup>The same is true also of the Physiocrats. Comp. *Turgot, Réflexions*, §§2ff.

<sup>131</sup>Book I, Chap. 2.

has not yet reached the agricultural stage, prosecutes its labours with the single end of selling its products in the metropolitan city.

How widely such theoretical constructions vary from the actual economic conditions of primitive peoples must long ago have been patent to historical and ethnographical investigators had not they themselves been in the grasp of modern commercial ideas which they transferred to the past. A thorough-going study, which will sufficiently embrace the conditions of life in the past, and not measure its phenomena by the standards of the present, must lead to this conclusion: *National economy is the product of a development extending over thousands of years, and is not older than the modern State; for long epochs before it emerged man lived and laboured without any system of trade or under forms of exchange of products and services that cannot be designated national economy.*

If we are to gain a survey of this whole development, it can only be from a standpoint that affords a direct view of the essential phenomena of national economy, and at the same time discloses the organizing element of the earlier economic periods. This standpoint is none other than the relation which exists between the production and the consumption of goods; or, to be more exact, the length of the route, which the goods traverse in passing from producer to consumer. From this point of view we are able to divide the whole course of economic development, at least for the peoples of central and western Europe, where it may be historically traced with sufficient accuracy, into three stages:

(1) The *stage of independent domestic economy* (production solely for one's own needs, absence of exchange), at which the goods are consumed where they are produced.

(2) The *stage of town economy* (custom production, the stage of direct exchange), at which the goods pass directly from the producer to the consumer.

(3) The *stage of national economy* (wholesale production, the stage of the circulation of goods), at which the goods must ordinarily pass through many hands before they reach the consumer.

We will endeavour to define these three economic stages more precisely by seeking a true conception of the typical features of each without allowing ourselves to be misled by the casual appearance of transitional forms or particular phenomena which, as relics of earlier or precursors of later conditions, project into any period, and whose existence may perhaps be historically proved. In this way alone

shall we be able to understand clearly the fundamental distinctions between the three periods and the phenomena peculiar to each.

The *stage of independent domestic economy*, as has already been pointed out, is characterized by restriction of the whole course of economic activity from production to consumption to the exclusive circle of the household (the family, the clan). The character and extent of the production of every household are prescribed by the wants of its members as consumers. Every product passes through the whole process of its manufacture, from the procuring of the raw material to its final elaboration in the same domestic establishment, and reaches the consumer without any intermediary. Production and consumption are here inseparably interdependent: they form a single Uninterrupted and indistinguishable process; and it is as impossible to differentiate them as to separate acquisitive and domestic activity from each other. The earnings of each communal group are one with the product of their labour, and this, again, one with the goods going to satisfy their wants, that is, with their consumption.

*Exchange* was originally entirely unknown. Primitive man, far from possessing a natural instinct for trading, shows on the contrary an *aversion* to it. Exchange (*tauschen*) and deceive (*täuschen*) are in the older tongue one and the same word.<sup>132</sup> There is no universally recognised measure of *value*. Hence everyone must fear being duped in the bartering. Moreover, the product of labour is, as it were, a part of the person producing it. The man who transfers it to another alienates a part of his being and subjects himself to the evil powers. Far down into the Middle Ages exchange is protected by publicity, completion before witnesses, and the use of symbolic forms.

An autonomous economy of this kind is in the first place dependent upon the *land* under its control. Whether the chief as hunter or fisher appropriates the gifts voluntarily offered by nature, whether he wanders as a nomad with his herds, whether he cultivates the soil as well, or even supports himself by agriculture alone, his daily labour and care will be shaped in every case by the bit of land that he has brought under cultivation. The greater his advance in intelligence and technical skill, and the more methodical and varied the satisfaction of his wants, so much the greater does this dependence become, until finally the soil brings into subjection the man who is

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<sup>132</sup>[Comp. also the early signification of our words *barter*, *truck*, etc. *New Oxford Diet.*—ED.]

born to rule over it. This has been designated *villenage*.<sup>133</sup> We may here confine ourselves to proving that at this stage the man who has direct possession of the soil can alone maintain economic independence. He who is not in this position can eke out his existence only by becoming the servant of the landowner, and, as such, bound to the soil.

In the independent domestic economy the members of the household have not merely to gather from the soil its products, but they must also by their labour produce all the necessary tools and implements, and, finally, work up and transform the new products and make them fit for use. All this leads to a diversity of employments, and, because of the primitive nature of the tools, demands a varied dexterity and intelligence of which modern civilized man can scarcely form a proper conception.<sup>134</sup> The extent of the tasks falling to the various members of this autonomous household community can be lessened only by division of labour and cooperation among themselves according to age and sex, or according to the strength and natural aptitudes of the individual. It is to this circumstance that we must ascribe that sharp division of domestic production according to sex, which we find universal among primitive peoples. On the other hand, owing to the unproductiveness of early methods of work the simultaneous cooperation of many individuals was in numerous instances necessary to the accomplishment of certain economic ends. Labour in Common still plays, therefore, at this stage, a more important role than division of labour.

To neither, however, would the family have been able to give much scope had it been organized like our modern family, that is, limited to father and mother with children and possibly servants. It

<sup>133</sup> *Verdinglichung*.

<sup>134</sup> We must turn to descriptions of early peasant life in remote parts of Europe in order to gain a conception of such conditions. Comp. one example in H. F. Tiebe, *Lief u. Esthlands Ehrenrettung* (Halle, 1804), p. 100. Similar instances are met with still among the Coreans. Thus we read in M. A. Poggio, *Korea* (Vienna and Leipzig, 1895), p. 222: "Throughout Corea the real necessities of life have been produced within the household from time immemorial. The wife and daughters spin not only hemp but silk. For the latter a silk-bee is usual in many houses. The head of the family must be ready for all tasks, and on occasion play the painter, stone-mason, or joiner. The production of spirits, vegetable fats, and colours, and the manufacture of straw mats, hats, baskets, wooden shoes, and field implements belongs to domestic work. In a word, every one labours for himself and his own requirements. Thanks to these conditions the Corean is a Jack of all trades who undertakes work only for the things that are indispensable, and accordingly never becomes skilled in any special department.

would also have had very little stability or capacity for development if each individual in the family had been free to lead the independent existence of the present day.

Significant is it then that when the present civilized nations of Europe appear on the horizon of history, the tribal constitution prevails among them.<sup>135</sup> The tribes (families, gentes, clans, house communities) are moderately large groups consisting of several generations of blood-relations, which, at first organized according to maternal and later according to paternal succession, have common ownership of the soil, maintain a common household, and constitute a union for mutual protection. Every tribe is thus composed of several smaller groups of relatives, each of which is formed of a man and wife with their children. Anyone living outside this tribe is an outlaw; he has no legal or economic existence, no help in time of need, no avenger if he is slain, no funeral escort when he passes to his last rest.<sup>136</sup>

All the peoples in question, when they took up fixed abodes, were acquainted with the use of the plough. Their settlement came about usually by the establishment of large common dwelling-houses, farms, and villages by the members of a tribe. Once in secure possession of the land the sense of community soon weakened. Smaller patriarchal households with a limited number of members, such as are represented at the present day by the *zadrugas* of the south Slavs, and by the great family of the Russians, Caucasians, and Hindoos, separated from the larger unit. But for centuries the village house-communities continued to own the soil in common, and jointly tilled it probably for some time longer, while each household enjoyed the products apart.

In large family groups of this kind, community and division of

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<sup>135</sup>Comp. on this point Fustel de Coulanges, *La cité antique* (Paris, 1864); Émile de Laveleye, *De la Propriété* (4th edition, Paris, 1891); E. Grosse, *Die Formen d. Familie u. d. Formen d. Wirthschaft* (Leipzig, 1896), especially Chap. VIII.

<sup>136</sup>Comp. M. Buchner, *Kamerun*, p. 188: "it is a fundamental point in the legal conceptions of the negroes, that not the man himself but the community, the family, the whole body of relatives is the individual before the law. Within the community rights and duties are transferable to an almost unlimited extent. A debtor, a criminal, can be punished in the members of his community, and the liability of the community for the crime of one born a member of it does not lapse even with emigration or separation from it. Even the death penalty can be executed upon one other than the guilty." The same thing is found among the South Sea Islanders. See Parkinson, *Im Bismarck-Archipel*, pp. 80-1.

labour may be carried out to a considerable extent. Men and women, mothers and children, fathers and grandfathers—to each group is allotted its particular part in production and domestic work, and wherever special individual skill displays itself, it finds scope and also a limit, in working for its own tribe. The feelings of brotherhood, of filial obedience, of respect for age, of loyalty and deference reach their most beautiful development in such a community. Just as the tribe pays a debt or weregild for the individual or avenges a wrong done him, so on the other hand does the individual devote his whole life to the tribe and on its behalf subdue every impulse to independent action.

And even when the strength of these feelings declines, the modern separate family with its independent organization does not immediately spring into existence. For its appearance would inevitably have resulted in a diminished capacity for work, an abandonment of the autonomous life of the household, and perhaps a relapse into barbarism. Two ways there were of avoiding this.

*One* was as follows: for such tasks as surpassed the powers of the now diminished family, the original large tribal unions were continued as local organizations. These formed partial communities on the basis of common property and common usufruct of the same; but, when occasion demanded, they could also undertake duties which, if left to the care of each individual household, would have demanded an unprofitable expenditure of energy, as, for example, guarding the fields and tending cattle. There were also tasks which, though not of equal concern to each separate household of the local group, were nevertheless too difficult for the individual. A house or a ship was to be built, a forest clearing made; a stream diverted, hunting or fishing engaged in at a distance; or perhaps the season of the year made some unusual work necessary for this or that house. In all such cases bidden-labour assisted;<sup>137</sup> that is, among neighbours there sprang up, on invitation of the head of the family, temporary labour communities which disappeared again on the completion of their work. Many institutions of this kind underwent subsequent transformation, others perpetuated themselves. We would recall the labour communities of the Slavic tribes, the *artel* of the Russians, the *tscheta* or *družina* of the Bulgarians, the *moba* of the Serbs, the voluntary assistance rendered by our peasants to each other in house-raising, sheep-shearing, flax-pulling, etc.

<sup>137</sup>Comp. *Arbeit u. Rhythmus* (2d ed.), pp. 198 ff. [and Ch. VII, below.—ED.]

Whatever the extent of such contrivances, the part they can play in the supplying of needs is comparatively un-important, and just as little prejudices the economic autonomy of the individual household as the home production subsisting among our agrarian landlords to-day affects the supremacy of commerce. These temporary labour communities, moreover, are not business enterprises, but only expedients for satisfying immediate wants. Assistance is rendered now to one, now to another of the participants; or the product of the joint labour is distributed to the separate families for their consumption. A definite case of bargain and sale will be sought for in vain, even where, as in the village community of India, we have a number of professional labourers performing communal functions similar to those of our village shepherds. They work for all and are in return maintained by all.

The *second* method of avoiding the disadvantages arising from the dissolution of the tribal communities consisted in the artificial extension, or numerical maintenance of the family circle. This was done by the adoption and incorporation of foreign (non-consanguinous) elements. Thus arose *slavery* and *serfdom*.

We may leave undecided the question whether the enslavement and setting to work of a captured enemy were more the cause or the result of the dissolution of the early tribal community. It is certain that a means was thereby found of maintaining intact the independent household economy with its accustomed division of labour, and at the same time of making progress towards an increase in the number and variety of wants. For now the more numerous the slaves or villeins belonging to the household, the more completely could its labour be united or divided. In agriculture larger areas could be cultivated. Particular technical employments, such as grinding corn, baking, spinning, weaving, making implements, or tending cattle, could be assigned to particular slaves for their whole life; they could be specially trained for this service. The more prominent the family, the more wealthy the lord, or the more extensive his husbandry, all the more possible was it to develop in variety and extent the technical skill employed in the procuring and working up of materials.

The economic life of the Greeks, the Carthaginians, and the Romans was of this character.<sup>138</sup> *Rodbertus*, who noticed this a gen-

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<sup>138</sup>For students of political economy it need scarcely be observed that in what follows the object is not to furnish a compendium of the economic history of ancient times, but, as the context shows, merely an outline of the most highly

eration ago, designates it *oikos husbandry*, because the *οἶκος*, the house, represents the unit of the economic system. The *οἶκος* is not merely the dwelling-place, but also the body of people carrying on their husbandry in common. Those belonging to them are the *οἰκέται*, a word which, in its historic usage, it is significant to note, is confined to the household slaves upon whom the whole burden of the work of the house at that time rested. A similar meaning is attached to the Roman *familia*, the whole body of *famuli*, house-slaves, servants. The *paterfamilias* is the slave-master into whose hands flows the whole revenue of the estate; in the *patria potestas* the two conceptions of the power of the lord as husband and father and as slave-owner have been blended. A member of the household labours not for himself, but only for the *paterfamilias*, who wields the same power of life and death over all.

In the supreme power of the Roman *paterfamilias*, extending as it did equally over all members of the household, whether blood-relatives or not, the independent domestic economy was much more closely integrated and rendered capable of much greater productivity than the matriarchal or even the earlier patriarchal tribe, which consisted solely of blood-relatives. The individual as a separate entity has entirely disappeared; the State and the law recognise only family communities, groups of persons, and thus regulate the relations of family to family, not of individual to individual. As to what happens within the household they do not trouble themselves.

In the economic autonomy of the slave-owning family lies the explanation of all the social and a great part of the political history of Rome. There are no separate classes of producers, as such, no farmers, no artisans. There are only large and small proprietors, rich

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developed domestic economy as it presents itself in the system of slave labour among the ancients. In my work on the insurrections of the unfree labourers between 143 and 129 B.C. (*Die Aufstände d. unfreien Arbeiter, 143-129 v. Chr.*, Fr.-a.-M., 1874), I have shown that before the rise of slave-work on a large scale the economic life of antiquity furnished considerable scope for free labour, the formation of separate trades, and the exchange of goods. What progress had been made in the development of an independent industry, I have set forth in the article "Industry" (Gewerbe) in the Handwörterbuch der Staatsw., III, pp. 926-7, 929-931; and in my articles on the Edict of Diocletian on tax prices (*Ztschr. f. d. ges. Staatsw.*, 1894, pp. 200-1) I have endeavoured to fix the position filled by trade in the system of independent domestic economy at the time of the empire in Rome. Reference may also be made, for an outline picture of the times, to the interesting address of M. Weber on *Die sozialen Gründe d. Untergangs d. antiken Cultur*, Die Wahrheit, VI, No. 3.

and poor. If the rich man wrests from the poor possession of the soil, he makes him a proletarian. The landless freeman is practically incapable of making a living. For there is no business capital to provide wages for the purchase of labour; there is no industry outside the exclusive circle of the household. The *artificers* of the early records are not freemen engaged in industry, but artisan slaves who receive from the hands of the agricultural and pastoral slaves the corn, wool, or wood which are to be transformed into bread, clothing, or implements. "Do not imagine that he buys anything," we read in Petronius of the rich *novus homo*, "everything is produced at his own house."<sup>139</sup> Hence that colossal development of *latifundia*, and, concentrated in the hands of individual proprietors, those endless companies of slaves amongst whom the subdivision of labour was so multiplex that their productions and services were capable of satisfying the most pampered taste.

The Dutchman, T. Popma, who in the seventeenth century wrote an able book on the occupations of the Roman slaves, enumerates one hundred and forty-six different designations for the functions of these slave labourers of the wealthy Roman households.<sup>140</sup> This number might today be considerably increased from inscriptions. One must go minutely into the details of this refined subdivision of labour in order to understand the extent and productive power of those gigantic household establishments that placed at the free disposal of the owner goods and services such as today can be supplied only by the numerous business establishments of a metropolitan city in conjunction with the institutions of municipality and State. At the same time this extensive property in human beings afforded a means for the amassing of fortunes equalled only by the gigantic

<sup>139</sup>Sat. 38: "Nec est quod putes ilium quicquam emere; omnia domi nascuntur." E. Meyer translates that, "everything is grown on his own land"! Now the satirist specifies wool, wax (?), pepper, sheep, honey, mushrooms, mules, and cushions with covers of purple or scarlet. Do all of these things grow from the soil? Compare also Petronius, ch. 48, 52, and 53: "nam et comcedos emeram," etc. That this is all greatly exaggerated it is unnecessary to remind anyone who has really read Petronius. Ch. 50 speaks of the purchase of Corinthian jars; ch. 70 of knives made of Noric iron bought in Rome; ch. 76 of the shops of Trimalchio, who himself gives as his motto the words *bene etno, bene vendo*. But for a satirist to venture such an exaggeration as Petronius in ch. 38 would have been impossible if Roman economic life had been similar to that of today. A modern satirist in a similar case would have made his boaster give the values of his horses, wines, cigars, his stocks, etc.

<sup>140</sup>Titi Popmse Phrysii de operis servorum liber. Editio novissima. Amstelodami 1672.

possessions of modern millionaires.

The whole body of slaves in the house of a wealthy Roman was divided into two main groups, the *familia rustica* and the *familia urbana*. The *familia rustica* engages in the work of production. On every large country estate there are a manager and an assistant manager with a staff of overseers and taskmasters who in turn have under them a considerable company of field-labourers and vine-dressers, shepherds and tenders of cattle, kitchen and house servants, women spinners, male and female weavers, fullers, tailors, carpenters, joiners, smiths, workers in metal and in the occupations connected with agriculture. On the larger estates each group of labourers is again divided into bands of ten each (*decuriæ*) in charge of a leader or driver (*decurio, monitor*).<sup>141</sup>

The *familia urbana* is divided into the administrative staff, and the staff for the service of master and mistress within and without the house. First comes the superintendent of the revenue with his treasurer, bookkeepers, supervisors of rents, buyers, etc. If the proprietor takes over public leases or engages in the shipping trade, he keeps for that purpose a special staff of slave officials and labourers. Attached to the internal service of the house are house-administrator, porters, attendants in rooms and halls, guardians of the furniture, the plate, and the robes; the commissariat is in charge of the steward, the cellar-master, and the superintendent of supplies; the kitchen, swarms with a great company of cooks, stokers, bakers of bread, cakes, and pastry; special table-setters, carvers, tasters, and butlers serve at the table, while a company of beautiful boys, dancing-girls, dwarfs and jesters amuse the guests. To the personal service of the proprietor are assigned a master of ceremonies for introducing visitors, various valets, bath attendants, anointers, rubbers, surgeons, physicians for almost every part of the body, barbers, readers, private secretaries, etc. For service in the household a savant or philosopher is kept, also architects, painters, sculptors, and musicians; in the library are copyists, parchment-polishers, and bookbinders, who under the direction of the librarian make books in the private manufactory of the house. Even slave letter-writers and stenographers must not be wanting in a wealthy house. When the master appears in public he is preceded by a large body of slaves (*anteambulones*), while others follow him (*pedisequi*); the *nomen-*

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<sup>141</sup>Comp. the graphic account of work on a Roman estate during the empire, by M. Weber, *Die Wahrheit*, VI, pp. 65, 66.

clator tells him the name of those whom he meets and who are to be greeted; special *distributores* and *tesserarii* scatter bribes among the people and instruct them how to vote. These are the *camelots* of ancient Rome; and, what gives them special value, they are the property of the distinguished aspirant employing them. This system for exerting political influence is supplemented by the institution of plays, chariot-races, fights with wild beasts, and gladiatorial games, for which troops of slaves are specially trained. If the lord goes to a province as governor or sojourns on one of his country estates, slave couriers and letter-carriers maintain daily communication with the capital. And how shall we begin to tell of the slave retinue of the mistress, on which Bottiger has written a whole book (*Sabina*), and of the endlessly specialized service for the care and education of the children! It was an incredible squandering of human energy that here took place. Lastly, by means of this many armed organism of independent domestic economy, maintained as it was by a colossal system of breeding and training, the personal power of the slave owner was increased a thousandfold, and this circumstance did much to render it possible for a handful of aristocrats to gain control over half the world.<sup>142</sup>

The work of the State itself is not carried on otherwise. Both in Athens and Rome all subordinate officials and servants are slaves. Slaves build the roads and aqueducts whose construction fell to the State, work in quarries and mines, and clean the sewers; slaves are the policemen, executioners and gaolers, the criers in public assemblies, the distributors of the public doles of corn, the attendants of the colleges of priests in the temples and at sacrifices, the State treasurers, secretaries, the messengers of the magistrates; a retinue of public slaves accompanies every provincial officer or general to the scene of his duties. The means for their support came chiefly from the public domains, the tributes of the provinces (in Athens,

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<sup>142</sup>Naturally this highly developed slave system is only to be found among the most wealthy class; but with similar conditions it recurs everywhere. Ellis, for example, says in his *History of Madagascar*, I, p. 194: "When a family has numerous slaves, some attend to cattle, others are employed in cultivating excellent roots, others collect fuel; and of the females, some are employed in spinning, weaving and making nets, washing and other domestic occupations" Even in the country of the Muata Yamwo, where, with the exception of smiths, there appear to have been no special craftsmen, the ruler had in his household his own musicians, fetich-doctors, smiths, hairdressers, and female cooks. Pogge, *Im Reiche d. Muata Jamwo*, pp.231, 187.

of the allies), of which Cicero says that they are *quasi prædia populi Romani*; and finally, from contributions resembling fees.

Similar fundamental features are presented by the economic life of the Latin and Germanic peoples in the early Middle Ages. Here, too, necessary economic progress leads to a further development of the autonomous household economy, which found expression in those large husbandries worked with serfs and villeins upon the extensive landed possessions of the kings, the nobility, and the Church. In its details this *manorial system* has many points in common with the agricultural system of the later Roman Empire as developed by colonization. It has, also, considerable similarity with the centralized plantation system described above from the closing years of the Roman Republic. This rise of husbandry on a large scale with its subdivision of labour differs, however, in one important particular from the Roman. In Rome large estates engulf the small, and replace the arm of the peasant by that of the slave, who is later on transformed into the colonist. The economic advance involved in the extensive *οἶκος* husbandry had to be purchased by the proletarianizing of the free peasant. In the manorial system of the Middle Ages the free owner of a small estate becomes, it is true, a vassal. But he is not ejected from possession; he preserves a certain personal and economic independence, and, at the same time, shares in the fuller supply of goods which husbandry on a large scale provides under the system of independent domestic economy.

How did this come about?

In ancient Italy the small cultivator was ruined through his inability to support certain public burdens, especially military service, and because the pressure of war and famine drove him into the lamentable servitude of the debtor. In the Germanic and Latin countries of the Middle Ages he placed his homestead for like reasons under the control of the large landed proprietor from whom he received protection and assistance in time of need.

We can best understand the mediaeval manor by picturing to ourselves the economic life of a whole village as a unit with the manor-house its central point.<sup>143</sup> Under this system the small landowner

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<sup>143</sup>Though there were numerous villages whose inhabitants owed service to various proprietors, and many manors that included peasant holdings from various villages, yet the case here supposed must be regarded as the normal one. At the same time we must not forget that most of the original evidence relating to these matters that we possess refers to the scattered possessions of the monasteries for which the manors formed the focal points, while for the estates of the great, and

supervises in person, the large landowner through an overseer. The demesne land lying immediately about the manor-house is cultivated by serfs permanently attached to it, who there find food and lodging, and are employed in agricultural and industrial production, household duties, and the personal service of the lord, under a many-sided division of labour. The demesne land is intermixed with the holdings of a larger or smaller number of unfree peasants, each of whom tills his hide of land independently, while all share with the lord the use of pasture, wood, and water. At the same time, however, every peasant-holding binds its occupant to perform certain services and to furnish certain dues in natural products to the estate. These services consist of labour reckoned at first according to requirement, later according to time, whether given in the fields at seed-time or harvest, on the pasture-land, in the vineyard, garden or forest, or in the manorial workshops or the women's building where the daughters of the serfs are spinning, weaving, sewing, baking, brewing beer, etc. On the days devoted to manorial service the unfree labourers receive their meals at the manor-house just as do the manor-folk themselves. They are further bound to keep in repair the enclosures about the manor-house and its fields, to keep watch over the house, and to undertake the carrying of messages and the transport of goods. The dues in kind to be paid to the estate are partly agricultural products, such as grain of all kinds, wool, flax, honey, wax, wine, cattle, hogs, fowl, or eggs; partly wood cut in the forests of the mark and made ready for use, such as firewood, timber, vine-stakes, torchwood, shingles, staves and hoops; partly the products of industry, such as woollen and linen cloth, stockings, shoes, bread, beer, casks, plates, dishes, goblets, iron, pots and knives. This pre-

still more so for those of the smaller temporal proprietors in ancient times, we have scarcely any material at all. For these, however, our supposed case is to be regarded as normal in so far as the villages arose through a colony grouping itself about a single estate. For the purposes of our sketch we may also leave out of view the many distinctions in the legal position of those owing rent and service dues, especially the distinction between those belonging to the manor and those belonging to the mark. The latter, by virtue of the lord's supreme proprietorship over the common land, were also included in the economic system of the manor. Finally, I do not fail to appreciate the difference between the constitution of the villas of Charles the Great and the later administrative organization of the large landowners, though I am of the opinion that the latter has only superficial points of contact with the economic life of the individual farm. For all further details I must refer the reader to Maurer, *Gesch. d. Fronhufe*; Inama-Sternegg, *Die Ausbildung d. grossen Grundkerrschaften in Deutschland*; and Lamprecht, *Deutsches Wirtschaftsleben im M. A.*, especially I, pp. 719 ff.

supposes alike among the serfs and those bound by feudal service a certain specialization of industry, that would of necessity hereditarily attach to the hides of land in question and prove advantageous not merely to the lord's estate, but also to the occupants of the hides in supplying commodities. Intermediate between service and rent are duties of various kinds, such as hauling manure from the peasant's farm to the fields of the lord, keeping cattle over winter, providing entertainment for the guests of the manor. On the other hand the lord renders economic assistance to the peasant by keeping breeding-stock, by establishing ferries, mills, and ovens for general use, by securing protection from violence and injustice to all, and by giving succour from his stores, in accordance with his pledge, when crops failed or other need arose.

We have here a small economic organism quite sufficient unto itself, which avoids the rigid concentration of the Roman slave estates and employs slaves only to the extent necessary for the private husbandry of the landlord conceived in its strictest sense.<sup>144</sup> For this reason it is able to secure to the general body of manorial labourers separate agricultural establishments for their own domestic needs, and therewith a certain personal independence. This is an instance of small partial private estates within the economy of the independent household similar to that which occurs, though of course on a much smaller scale, within the *zadruga* of the South Slavs when conjugal couples establish separate households.<sup>145</sup> When the manorial group coincides in membership with the people of a mark, the members are in a certain sense, owing to the regulations forbidding the alienation of land or mark servitudes to non-residents, economically shut off from their neighbours. Internal unity is realized by means of separate weights and measures, which, however, serve not for safeguarding trade, but for measuring the dues in kind coming to the lord.

For we must always bear in mind that the economic relation of the lord to those attached to his land, however much it may be regarded from the general point of view of mutual service, is entirely removed from the class of economic relations that arise from a sys-

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<sup>144</sup>According to Lamprecht, I, p. 782, the field labour-services of the serfs were applied to the cultivation of the individual stretches of manorial land (*Beunden*) or balks [unploughed strips] in the common land, while the manorial serfs were employed only for the cultivation of the demesne.

<sup>145</sup>Comp. Laveleye, as above, p. 468.

tem of exchange. Here there are no prices, no wages for labour, no land or house rent, no profits on capital, and accordingly neither entrepreneurs nor wage-workers. We have in this case peculiar economic processes and phenomena to which historical political economy must not do violence, after such frequent complaints of harsh treatment in the past at the hands of jurisprudence.

The surpluses of the manorial husbandry are the property of the lord. They consist entirely of goods for consumption which cannot be long stored up or turned into capital. On the estates of the king they are devoted as a rule to supplying the needs of the royal household, and the king, travelling with his retinue from castle to castle, claims them in person; while the large landed proprietors among the religious corporations and the higher nobility have them forwarded by a well-organized transport of their villeins to their chief seats, where as a rule they are likewise consumed.

Thus in this economic system we have many of the phenomena of commerce, such as weights and measures, the carriage of persons, news, and goods, hostelry, and the transference of goods and services. In all, however, there is lacking the characteristic feature of economic exchange, namely, the direct connection of each single service with its reciprocal service, and the freedom of action on the part of the individual units carrying on trade with one another.

But it matters not to what extent independent household economy may be developed through the introduction of slave or villein labour, it will never succeed even in its highest development, to say nothing of its less perfect forms, in adapting itself sufficiently to the needs of human society for all time. Here we have continuously unfilled gaps in supply, there surpluses which are not consumed on the estates producing them, or fixed instruments of production and skilled labour which cannot be fully utilized.

Out of this state of things arise fresh commercial phenomena of a particular kind. The landlord, whose harvest has failed, borrows corn and straw from his neighbour until the next harvest, when he returns an equal quantity. The man reduced to distress through fire or the loss of his cattle is assisted by the others on the tacit understanding that he will show the like favour in the like event. If anyone has a particularly expert slave, he lends him to a neighbour, just as he would a horse, a vessel, or a ladder; in this case the slave is fed by the neighbour. The owner of a wine-press, a maltkiln, or an oven allows his poorer fellow villager the temporary use of

it, in return for which the latter, on occasion, makes a rake, helps at sheep-shearing, or runs some errand. It is a mutual rendering of assistance; and no one will think of classifying such occurrences under the head of exchange.<sup>146</sup>

Finally, however, real exchange does appear. The transition-stage is formed of such processes as the following: the owner of slaves lends his neighbour a slave weaver or carpenter, and receives in return a quantity of wine or wood of which his neighbour has a surplus. Or the slave shoemaker or tailor, whose labour cannot be fully turned to account, is settled upon a holding, on the condition that he work each year a certain number of days at the manor. At times when he has no labour dues to pay and little to do on his own land, he gives his fellow villeins in their peasant houses the benefit of his skill, receiving from them his keep, and in addition a quantity of bread or bacon for his family. Formerly he was merely the servant of the manor; now he is successively the servant of all, but of each only for a short time.<sup>147</sup> At an early stage barter in kind, aiming at a mutual levelling of wants and surpluses, is also met with, as corn for wine, a horse for grain, a piece of linen cloth for a quantity of salt. This trading process expands owing to the limited occurrence of many natural products and to the localization of the production of goods for which there is a large demand; and if the various household establishments are small, and the adjoining districts markedly dissimilar in natural endowments, it may attain quite a development.<sup>148</sup> Certain articles of this trade become, as has often been described, general mediums of exchange, such as skins, woollen goods, mats, cattle, articles of adornment, and finally the precious metals. Money comes into existence, markets and peddling trade arise; the beginnings of buying and selling on credit appear.

But all this affects only the surface of the independent household economy; and, though the literature on the early history of trade

<sup>146</sup>On the social duty of lending among primitive peoples, comp. Kubary, *Ethnogr. Beiträge z. Kenntnis d. Karolinen-Archipels*, p. 163.

<sup>147</sup>On the corresponding conditions in Greece and Rome, comp. my accounts in the *Handwort. d. Staatswiss.* (2d ed.), IV, pp. 369-71.

<sup>148</sup>To this circumstance is to be ascribed the relatively highly developed weekly market trade of ancient Greece and of the negro countries of today; in Oceania the small size of the islands and the unequal development among their inhabitants of both household work and agriculture even calls forth in places an active maritime trade. Similarly is the oft-cited maritime commerce of the ancient Greeks to be regarded.

and of markets has hitherto been far from familiarizing us with a proper estimate of these things, yet it cannot be too strongly emphasized that neither among the peoples of ancient times nor in the early Middle Ages were the articles of daily use the subject of regular exchange. Rare natural products, and locally manufactured goods of a high specific value form the few articles of commerce. If these become objects of general demand, as amber, metal implements, ceramic products, spices and ointments in ancient times, or wine, salt, dried fish, and woollen wares in the Middle Ages, then undertakings must arise aiming at the production of a surplus of these articles. This means that the other husbandries will produce beyond their own immediate requirements the trade equivalents of those articles as do the northern peoples their skins and *vadhmâl*, and the modern Africans their wares of bark and cotton, their kola nuts and their bars of salt. Where the population concentrates in towns there may even come into being an active market trade in the necessaries of life, as is seen in classic antiquity, and in many negro countries of today. In fact even the carrying on of industry and trade as a vocation is to a certain extent possible.

Still this does not affect the inner structure of economic life. The labour of each separate household continues to receive its impulse and direction from the wants of its own members; it must itself produce what it can for the satisfaction of these wants. Its only regulator is utility. "That landlord is a worthless fellow," says the elder Pliny, "who buys what his own husbandry can furnish him"; and this principle held good for many centuries after.

One must not be led away from a proper conception of this economic stage by the apparently extensive use of money in early historic times. Money is not merely a medium of exchange, it is also a measure of value, a medium for making payments and for storing up wealth. Payments must also constantly be made apart from trade, such as fines, tribute money, fees, taxes, indemnities, gifts of honour or hospitality; and these are originally paid in products of one's own estate, as grain, dried meat, cloth, salt, cattle, and slaves, which pass directly into the household of the recipient. Accordingly all earlier forms of money, and for a long time the precious metals themselves, circulate in a form in which they can be used by the particular household either for the immediate satisfaction of its wants or for the acquisition by trade of other articles of consumption. Those of special stability of value are preeminently serviceable

in the formation of a treasure. This is especially true of the precious metals, which in time of prosperity assumed the form of rude articles of adornment, and as quickly lost it in time of adversity. Finally, it is manifest that the office of a measure of value can be performed by metal money even when sales are actually made in terms of other commodities, as is shown by the use in ancient Egypt of *uten*, a piece of wound copper wire according to which prices were fixed, while payment was made in the greatest variety of needful articles.<sup>149</sup> This is also shown by numerous mediaeval records in which, far beyond the epoch here under review, prices are fixed partly in money and partly in horses, dogs, wine, grain, etc., or the purchaser is left at liberty to make a money payment "in what he can" { *in quo potuerit* }.<sup>150</sup>

Lamprecht, discussing economic life in France in the eleventh century, affirms that purchases were made only in cases of want,<sup>151</sup> the same holds in the main for sales as well. Exchange is an element foreign to independent household economy, and its entrance was resisted as long and as stubbornly as possible. Purchase always means purchase with immediate payment, and it is attended with solemn and cumbrous formalities. The earliest municipal law of Rome prescribes that the purchase must take place before five adult Roman citizens as witnesses. The rough copper that measures the price is weighed out to the seller by a trained weigh-master (*libripens*), while the purchaser makes a solemn declaration as he takes possession of the purchased article. Contrasting with this the formal minuteness of early German trade laws, we are easily convinced that in the economic period which witnessed the creation of this rigid legal formalism buying and selling, and the renting of land or house, could not be everyday affairs. Exchange value accordingly exercised no deep or decisive influence on the internal economy of the separate household. The latter knew only production for its own requirements; or, when such production fell short, the practice of making

<sup>149</sup>Erman, *Aegypten u. ägypt. Leben im Altertum*, pp. 179, 657.

<sup>150</sup>Under similar circumstances the same is true today. "Throughout West, Central, and East Africa quite definite and often quite complex standards for the exchange of goods have been formed, just as among ourselves, but with this difference, that coined money is generally wanting. This, however, by no means prevents the existence of a system of intermediate values, though it be but as notions and names."—Buchner, *Kamerun*, p. 93.

<sup>151</sup>*Französ. Wirtschaftsleben*, p. 132. Comp. further his *Deutsches Wirtschaftsleben im M. A., II*, pp. 374 ff.

gifts with the expectation of receiving others in return, of borrowing needful articles and implements, and, if need be, of plundering. The development of hospitality, the legitimizing of begging, the union of nomadic life and early sea trade with robbery, the extraordinary prevalence of raids on field and cattle among primitive agricultural peoples, are accordingly the usual concomitants of the independent household economy.

From what has been said it will be clear that under this method of satisfying needs the fundamental economic phenomena must be dissimilar to those of modern national economy. Wants, labour, production, means of production, product, stores for use, value in use, consumption—these few notions exhaust the circle of economic phenomena in the regular course of things. As there is no *social* division of labour, there are consequently no professional classes, no industrial establishments, no capital in the sense of a store of goods devoted to acquisitive purposes. Our classification of capital into business and trade capital, loan and consumption capital, is entirely excluded. If, conformably to widely accepted usage, the expression capital is restricted to means of production, then it must in any case be limited to tools and implements, the so called fixed capital. What modern theorists usually designate circulating capital is in the independent household economy merely a store of consumption goods in process of preparation, unfinished or half-finished products. In the regular course of affairs, moreover, there are no sale goods, no price, no circulation of commodities, no distribution of income, and, therefore, no labour wages, no earnings of management, and no interest as particular varieties of income.<sup>152</sup> Rent alone begins to differentiate itself from the return from the soil, still appearing, however, only in combination with other elements of income.

Perhaps, indeed, it is improper at this stage to speak of income at all. What we call income is normally the fruit of commerce; in

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<sup>152</sup>For most of the conceptions here mentioned there are no expressions in Greek or Latin. They must be expressed by circumlocutions or by very general terms. This is true, in the first instance, of the conception *income* itself. The Latin *reditus* denotes the returns from the land. Tacitus makes use of a similar liberty when (*Ann.*, IV, 6, 3) he designates the revenues of the state as *fructus publici*. Compare with this the numerous and finely distinguished expressions for the conception *wealth*. *Merces* means not only wages, but also land-rent, house-rent, interest, price. So also the Greek *μισθός*. For the expressions vocation, occupation, undertaking, industry, neither of the classic languages has corresponding terms.

independent domestic economy it is the sum of the consumption goods produced, the gross return. This return, however, is all the more inseparable from general wealth the more the subjection of the husbandry to the hazard of the elements compels the accumulation of a store of goods. Income and wealth form indistinguishable parts of a whole, one part of which is ever moving upward towards availability for use, another part downward to consumption, while a third is stored up in chest and box, in cellar or storehouse, as a kind of assurance fund.

To the last belongs money. In so far as it is used in trade it is for the recipient as a rule not a provisional but a final equivalent. It plays its chief part not as an intermediary of exchange, but as a store of value and as a means of measuring and transferring values. Loans from one economic unit to another do indeed take place; but as a rule they bear no interest, and are made only for purposes of consumption. Productive credit is incompatible with this economic system. Where money-lending on interest intrudes itself it appears unnatural, and, as we know from Greek and Roman history, is ultimately ruinous to the debtor. The canonical prohibition of usury thus had its origin not in moral or theological inclination, but in economic necessity.

Where a direct state tax arose, it was regularly a tax on wealth, generally a species of land-tax. Such was the Athenian εἰσφορά, the Roman *tributum civium*, and the scot or the bede of the Middle Ages. Along with these demand was made upon the wealth of the individual for direct services to the State or community, such as the furnishing of ships, the institution of festivals and entertainments (liturgies). The idea of taxing income, however natural and self-evident it may appear to us, would have been simply inconceivable to our ancestors.

By a process extending over centuries this independent household economy is transformed into the *system of direct exchange*; in the place of production solely for domestic use steps custom production. We have designated this Stage *town economy*, because it reached its typical development in the towns of the Germanic and Latin countries during the Middle Ages. Still it must not be forgotten that even in ancient times beginnings of such a development are perceptible, and that at a later date they also appeared in the more advanced Slavic countries, albeit in considerably divergent form.

The transition to this economic stage is seen at the stage of do-

mestic economy itself in the loss by the separate household, founded upon the cultivation of the soil, of a part of its independence through inability longer to satisfy all its needs with its own labour, and through the necessity of permanent and regular reinforcement from the products of other estates. Yet there do not spring up at once establishments independent of the soil, whose members would derive their income entirely from the working up of industrial commodities for others, or the professional performance of services, or the conducting of exchange. On the contrary, each proprietor still seeks, as far as possible, to gain his livelihood from the land; if his wants go beyond this, he calls into requisition any special manual skill he may possess, or any particular productive advantage of his district, whether in field, forest, or water, in order to produce a surplus of some particular article. One will produce grain, another wine, a third salt, a fourth fish, a fifth linen or some other product of domestic industry. In this manner separate establishments come into existence specially developed in some one direction, and dependent upon a regular, reciprocal barter of their surplus products. This exchange does not at first demand an organized system of trade. But it does require more flexible commercial methods than were offered by the early laws. These are furnished by *markets* which still arise, in the main, under the household system.

A market is the coming together of a large number of buyers and sellers in a definite place and at a definite time. Whether this occur in connection with religious feasts and other popular gatherings, or whether it owes its origin to the favourable commercial situation of a locality, it is always an opportunity for producer and consumer to meet with their mutual trade requirements; and such in its general features it has remained down to the present day. Markets and fixed trade are mutually exclusive. Where a merchant class exists, no markets are needed; where there are markets, merchants are superfluous. Only in cases where a country must import articles for which there is a demand and which it does not itself produce can there be developed at the early stage of household economy a distinct though not very numerous class, uniting under their control the purchase, transport, and sale of these goods, and utilizing for this last purpose the trade opportunities presented by the markets.

What changes, then, were wrought in this condition of things by the mediaeval town, and in what does the economic system which we have designated as exclusive town economy consist?

The mediaeval town is, above all things a *burg*, that is, a place fortified with walls and moats which serves as a refuge and shelter for the inhabitants of the unprotected places round about. Every town thus presupposes the existence of a defensive union which forms the rural settlements lying within a greater or narrower radius into a sort of military community with definite rights and duties. It devolves upon all the places belonging to this community to cooperate in maintaining intact the town fortifications by furnishing workmen and horses, and in time of war in defending them with their arms. In return they have the right, whenever occasion arises, to shelter themselves, their wives and children, their cattle and movables, within its walls. This right is called the *right of burgess*, and he who enjoys it is a burgher (*burgensis*).

Originally the permanent inhabitants of the town differ in no wise, not even in their occupations, from those living in the rural hamlets. Like the latter they follow farming and cattle raising; they use wood, water, and pasture in common; their dwellings, as may still be seen in the structural arrangement of many old cities, are farmhouses with barns and stables and large yards between. But their communal life is not exhausted in the regulation of common pasturage and other agricultural interests. They are, so to speak, a permanent garrison stationed in the burg, and perform in rotation the daily watch service on tower and at gate. Whoever wishes to settle permanently in the town must therefore not only be possessed of land, or a house at least; he must also be provided with weapons and armour.

The sentinel service and the extensive area of the town rendered necessary by the law of burgess demanded a great number of men; and soon the town limits no longer sufficed for their maintenance. Then it was that the one sided development of the household establishments, already described, lent its influence, and the town became the seat of the industries and of the markets as well. In the latter the country peasant continued to dispose of his surplus supplies, obtaining from the townsman that which he himself could no longer provide and which the latter now exclusively or almost exclusively produced, namely, industrial products.

The burgess rights underwent a consequent extension. All who enjoyed them were exempt from market dues and town tolls. The right of free purchase and sale in the town market is thus in its origin an emanation from the rights of burgess. In this way the military defensive union became a territorial economic community

based upon mutual and direct exchange of agricultural and industrial products by the respective producers and consumers.

All market traders on their way to and from a market enjoyed—doubtless also in the period previous to the rise of towns—a particularly active royal protection, which was further extended to the market itself and to the whole market-town. The effects of this market peace were to secure the market tradesmen during the time of their sojourn in the town against legal prosecution for debts previously incurred, and to visit injuries inflicted upon their property or person with doubly severe punishment as being extraordinary breaches of the peace. The market tradesmen are commonly known as *Kaufleute*, *mercatores*, *negotiatores*, *emptores*.<sup>153</sup>

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<sup>153</sup>Recent literature relating to the origin of the constitution of German towns has overlooked the very wide significance of the word *Kaufmann* and imagined that the innumerable towns existing within the German Empire towards the close of the Middle Ages, from Cologne and Augsburg down to Medebach and Radolfzell, were inhabited by merchants in the modern sense of the term, that is, by a specialized class of professional tradesmen, who are as a rule still represented as wholesale merchants. All economic history revolts against such a conception. What did these people deal in, and in what did they make payment for their wares? Besides, the very terms used are opposed to it. The most prominent characteristic of the professional merchant in his relation to the public is not his custom of buying, but of selling. Yet the chapman (*Kaufmann*) of the Middle Ages is named from the word for buying—*kaufen*. In the State records of Otto III. for Dortmund from 990 to 1000 A.D. the *emptores Trotmannia*, whose municipal laws, like those of Cologne and Mainz, are said to serve as a model for other cities, are spoken of in the same connection as *mercatores* or *negotiatores* in other records. If the abbot of Reichenau in the year 1075 can with a stroke of the pen transform the peasants of Allensbach and their descendants into merchants (*ut ipsi et eorum posteri sint mercatores*), no possible ingenuity of interpretation can explain this if we have in mind professional tradesmen. That in point of fact merchant meant any man who sold wares in the market, no matter whether he himself had produced them or bought the greater part of them, is evident, for example, from an unprinted declaration of the Council of Frankfurt in 1420 regarding the toll called *Marktrecht* (in Book No. 3 of the Municipal Archives, Fol. 80). There we find at the beginning that this toll is to be paid by “every merchant who stands on the street with his merchandise, whatsoever it be.” Then follow, specified in detail, the individual “merchants” or the “merchandise” affected by this toll. From the lengthy list the following instances may be given: dealers in old clothes, pastry books, food-vendors, rope-makers, hazelnut sellers, egg and cheese sellers with their carts, poultry vendors who carry about their baskets on their backs, strangers having in their possession more than a malter of cheese, cobblers, money-changers, bakers who use the market-stalls, strangers with bread-carts, geese, wagons of vitch (fodder), straw, hay, cabbages, all vendors of linen, flax, hemp, yarn, who sell their wares upon the street. Here we have a confused medley of small tradesmen of the town, artisans and peasants. That buyers as well as sellers on the market were

Inasmuch as the town inhabitants were themselves peculiarly dependent upon the market for their buying and selling, the specific name of market people or merchants was more and more applied to them as the importance of the market as their source of supply increased. Proportionately with this change, however, the region from which this market drew its supplies and to which it sold extended farther into the country. No longer did it coincide with the domain of burgher rights, whose importance for the rural population must of itself have diminished with the increasing security of the whole country against external attack. On the other hand, with the growth of the industries the whole town, and not merely the space originally set apart for the exclusive purpose, became the market; market-peace became town peace, and for the maintenance of the latter the town was separated from the general state administration as a special judicial district. "City air makes free" became a principle. Thus arose a social and legal gulf between burgher and peasant which the thirteenth and fourteenth centuries vainly sought to bridge over by an extramural and intramural citizenship. The name burgher was finally restricted to the members of the community settled within the town limits; and the times lent to this title a legal and moral significance in which the state idea of the ancient Greeks appeared to have returned to life.

We cannot here occupy ourselves further either with the development of the municipal constitution and its self administration based upon corporative gradations, or with the political power which the towns of Germany, France, and Italy obtained in the later Middle Ages. We have to do only with the matured economic organization of which these towns formed the central points.

If we take a map of the old German Empire and mark upon it the places that, up to the close of the Middle Ages, had received grants of municipal rights—there were probably some three thousand of them—we see the country dotted with towns at an average distance of four to five hours' journey in the south and west, and in the north and east of seven to eight. All were not of equal importance; but the majority of them in their time were, or at least endeavoured to be, the economic centres for their territory, leading just as independent an existence as the manor before them. In order to form a conception

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designated as *Kaufleute* (merchants) is evident from numerous records; in fact, passages might be cited in which, when the merchant is spoken of, it is the buyer that seems to be chiefly meant.

of the size of these districts, let us imagine the whole country evenly divided among the existing municipalities. In this way each town in southwestern Germany has on the average forty to somewhat over fifty square miles, in the central and northeastern parts between sixty and eighty-five, and in the eastern from somewhat over one hundred to one hundred and seventy. Let us imagine the town as always situated in the centre of such a section of country, and it becomes plain that in almost every part of Germany the peasant from the most distant rural settlement was able to reach the town market in one day, and be home again by nightfall.<sup>154</sup>

The whole body of municipal market law, as formulated in early times by the lords of the town and later by the town councillors, is summed up in the two principles, *that, as far as at all possible, sales must be public and at first hand, and that everything which can be produced within the town itself shall be produced there.* For products of local manufacture intermediary trade was forbidden to everyone, even to the artisans; it was permitted with imported goods only when they had already been vainly offered on the market. The constant aim was to meet amply and at a just price the wants of the home consumers, and to give full satisfaction to the foreign customers of local industry.

The territory from which supplies were drawn for the town market, and that to which it furnished commodities, was identical. The inhabitants of the country brought in victuals and raw materials, and with what they realized paid for the labour of the town craftsmen, either in the direct form of wage-work or in the indirect form of finished products, which had been previously ordered or were selected in the open market from the artisan's stand. Burgher and peasant thus stood in the relationship of mutual customers: what

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<sup>154</sup>Although since the Middle Ages many places have lost their town franchises, while others have gained them for the first time, yet the number of places that today bear the name of town (Stadt) furnishes a pretty correct idea of what it then was. There is in Baden at present one city to every 132 square kilometres of territory [1 sq. km.=about  $\frac{2}{5}$  sq. mile], in Württemberg to 134, in Alsace-Lorraine to 137, in Hesse to 118, in the kingdom of Saxony to 105, in Hesse-Nassau to 145, in the Rhine Province to 193, in Westphalia to 196, in the province of Saxony to 175, in Brandenburg to 291, in the kingdom of Bavaria to 328, in Hanover to 341, in Schleswig-Holstein to 350, in Pomerania to 412, in West Prussia to 473, and in East Prussia to 552. The fever for founding municipalities, which racked many mediaeval rulers, called into existence a multitude of towns that lacked vitality. Well known is the prohibition in the *Sachsenspiegel* that "No market shall be founded within a mile of another." Weiske, III, 66, § 1.

the one produced the other always needed; and a large part of this exchange trade was performed without the mediation of money, or in such a way that money was introduced only to adjust differences in value.

*Town handicraft* had an exclusive right of sale on the market. The productions of other places were admitted only when the industry in question had no representatives within the town. They were usually offered for sale by the foreign producers at the annual fairs; at this one point the spheres of the various town markets overlap. But even here the most essential feature, the direct sale by producer to consumer, is also observed, though only in exceptional instances. If a trade capable of supporting a craftsman was not represented in the town, the council called in a skilled master workman from outside and induced him to settle by exemption from taxation and other privileges. If he required considerable initial capital, the town itself came to his aid, and at its own expense built work and sale-shops and established mills, grinding-works, cloth-frames, bleaching-places, dye-houses, fulling-mills, etc.,—all with a view to satisfying the greatest possible variety of wants by home production.

Although direct dealing with the consumer of his wares<sup>155</sup> tended necessarily to keep alive in the artisan a sense of personal responsibility, an effort was made to brace this moral relationship by special ordinances. Handwork is an office that must be administered for the general welfare. The master shall furnish "honest" work. So far as the personal services of the craftsman remained available to his customers, a regular rate was fixed governing the amount he could claim in wages and board while on his itinerancy. In cases where the customer furnished him with the raw material in his own home, as, for instance, tin to the pewterer, silver and gold to the goldsmith, or yarn to the weaver, provision was made that it should not be adulterated. Where, on the contrary, the artisan supplied the material there were erected in the market, about the churches, at the town gates, or in particular streets, public sale-booths which often served also as work-shops (bread stands, meat stalls, drapers' and cloth shops, furriers' booths, shoemakers' benches, etc.). It was a market rule that those vending the same wares should do their selling alongside one another in open and mutual competition and under

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<sup>155</sup>Here and there this was further secured by the regulation that not even the wife of the craftsman might represent him in selling. Comp. Gramich, *Verf. u. Verw. d. St. Würzburg vom. XIII. vis XV. Jhdt.*, pp. 38 f.

the supervision of the market wardens and overseers, and this rule was extended to craftsmen who merely worked at home on orders, in that for the most part they lived side by side on the same street. Many cities have preserved to the present day the remembrance of this condition of things in the names of their streets (such as Shoemaker, Turner, Weaver, Cooper, Butcher, Fisher Streets), many of which led directly into the old market square. In this way the greatest part of the town, or even the whole of it, bore the outward aspect of one large market. It is well known that the many prescriptions regarding the raw material to be used, the method of doing work, the length and breadth of cloths, and the direct regulation of prices must have served for the protection of the consumer.<sup>156</sup>

Just as the urban craftsman enjoyed within the town and the extramural judicial district (*Bannmeile*) the exclusive right of selling the products of his handicraft, so the urban consumer possessed for the same area the exclusive right to purchase imported commodities. This right can be exercised, to be sure, only when the imported goods actually come to market and stand on sale for the proper length of time. To effect this a law of staple is introduced; foreselling in the country places or before the town gates is forbidden; selling to middlemen, artisans, and strangers is permitted only after the consumers are supplied, and then usually with the limitation that the latter, if they so wish, may have a share; and lastly, the withdrawing of goods once brought to market was forbidden, or permitted only after they had remained three days unsold.<sup>157</sup>

But against the *foreign seller* there always prevails a deep-rooted mistrust. To this is due the existence of that peculiar system of exchange through official intermediaries, measurers, and weighers. Today the State controls weights and measures by official standards and public inspections, and leaves the terms to the buyers and sellers themselves. In the Middle Ages the technical means for constructing exact measures and ensuring their accuracy were wanting. Common field-stones—and at the Frankfurt fairs as late as the fifteenth century even wooden blocks—were used as weights. In order, however, to determine accurately the amount of goods exchanged, the handling of the measures was withdrawn from the parties themselves

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<sup>156</sup>For the sake of brevity we refer for all details in this connection to Stieda in the *Jhb. f. N.-Ök. u. Statistik*, XXVII, pp. 91 ff.

<sup>157</sup>These ordinances were most carefully wrought out for the corn trade. See Schmoller, *Jhb. f. Gesetzg. Verw. u. Volksw.*, XX, pp. 708 ff.

and entrusted to special officers, whose presence was made obligatory at every sale made by an outsider. It was the duty of these intermediaries to bring buyer and seller together, to assist in fixing the price, to test the goods for possible defects, to select for the purchaser the quantity he had bought, and to see to its proper delivery. The intermediary was forbidden to trade for himself; he was not even allowed at the departure of the foreign tradesman, whom he generally lodged, to purchase remnants of goods remaining unsold.

This system of direct exchange is found, though with many local peculiarities, carried out to the most minute details in all mediaeval towns. This means that the actual circumstances in which its principles were developed render it inevitable. How far it was really practicable can only be decided when we are able to determine what proportions *trade* assumed under it

It is beyond question that a *retail trade* had taken root in the towns. To it belonged all who "sell pennyworths for the poor man." To understand this, we must bear in mind that all well-to-do townspeople were accustomed to purchase their supplies directly from foreign merchants at the weekly and yearly markets. The poor man was unable to make provision for any length of time; he lived, as he does today, "from hand to mouth." For him the retail tradesman, accordingly, undertook the keeping of stores for daily sale.

We can distinguish three groups of such small tradesmen, namely, grocers, peddlers, and cloth-dealers. In the earlier half of the period of town economy the last were the most important, as in many towns there was no local wool-weaving done. With its development their activity was limited to the handling of the finer kinds of Dutch cloths, silks, and cottons, or else they made room for the weavers in their shops.

The *wholesale* trade was exclusively itinerant and market or fair trade; and down to the close of the Middle Ages the majority of the towns probably saw no merchants settled within their walls who carried on wholesale trade from permanent headquarters. Only commodities not produced within the more or less extensive district from which a town drew its supplies were the subject of wholesale trade. We know of but five kinds: (1) spices and southern fruits, (2) dried and salted fish, which were then a staple food of the people, (3) furs, (4) fine cloths, (5) for the North German towns, wine. In certain parts of Germany salt would also have to be included. In most cases, however, the town council ordered it in large quantities directly from