MERCHANT CAPITALISM AND THE EMERGENCE OF EUROPE

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By the end of the fifteenth century, Europe had become increasingly powerful and influential in social, economic and political terms. From being a backward, agrarian continent, Europe became a modern centre of power and influence, whose civilisation began to exert enormous influence on the development of the United States, Canada, Latin America, Australia and New Zealand. The origins of this new-found power can be traced back to the decline of Feudalism and the rise of Merchant Capitalism.

For five centuries Europe's fate had been controlled by Feudalism. Feudalism was the organising framework of Europe's social, economic and political structure. It was a predominantly agrarian structure, with 80/90% of the workforce employed in agriculture, the rest in basic craft (Knox and Agnew, 1989). Rodney Hilton uses the term "Seigneurie and Féodalité" (manorial and feudal systems) and in his study outlines the essential elements of Feudalism. The manor embodied the organising principle of Feudal society in that it was the manor which made the various demands on the peasant household and stimulated production. In fact, the fundamental unit was the peasant family holding, which combined in the economy varying proportions of arable and pastoral production (Hilton, 1985). The peasants were descended from slaves and therefore, not free in movement (Knox and Agnew, 1989). The demands made on them included the payments of rent and taxes, in the form of farm produce, and also their allegiance. Almost everywhere the division of rank conformed to some feudal arrangement. The distinctions of rank were strictly transmitted by inheritance (Clark, 1966). Clark, in his book Early Modern Europe, is critical of the feudal system. Travel and transport were extremely difficult and technology was primitive. Everything had to be done with local materials and so in most places, farming was not specialised, providing only the requirements of a neighbourhood (Clarke, 1966). Knox and Agnew describe the economic landscape as "inflexible, slow-motion and introverted" According to E. Perroy, Europe was affected by a "mediocrity in stagnation".

The Feudal System began to falter and decline in the fourteenth century. Hilton describes as a "vicious circle" the various catastrophes that shook the system. There ceased to be any additional land available for cultivation. Existing agricultural land became increasingly unproductive and yields declined. This resulted in a sudden and significant fall in profit for the land-owners. Wars which in the past had tended to stop soon after they began, were prolonged because their protagonists saw in them the chance to compensate, by pillage and ransom, for their fall in profits. The burden of higher taxes and the disorganisation of the economy in the war zones was borne by the poor. Many were provoked to rebel and consequently the landlords were forced to reduce rent and taxes. Their profits fell even more. Previously, the land-owners had lived in high security. It was their unhappy fate which heralded loudest the decline of Feudalism. Thus, the stagnation of agricultural productivity during the last centuries of the Middle Ages and the inability of the system to support the increasing cost of the non-productive expenditure of the ruling class, were among the fundamental reasons for the crises of feudal society (Hilton, 1985).

There were other factors which contributed also. During the mid-fourteenth century, plague spread through all the countries of Western Europe, reducing the population in many areas by as much as half (Aston, 1968). The impact of plague was unprecedented and its impressions ineffaceable, even to those who were accustomed to a high annual mortality rate as a normal state of affairs. In addition, cold winters and late springs in the mid-fourteenth century aggravated food shortages and made the situation increasingly intolerable and untenable.

A final reason for the decline of Feudalism was urban vitality. In the fourteenth century there had been an increase in the size and vitality of towns (Dunford and Perrons, 1989). This was as a direct result of regional trade in basic industrial and agricultural produce and even some long distance trade in luxury goods such as spices, furs, silks and wine (Knox and Agnew, 1989). This "urban vitality" was a major agent in the eventual crises of Feudalism, because it helped to highlight the relative inefficiency of the self-sufficient feudal state and transformed attitudes towards the pursuit of wealth. It was to the towns that the peasants travelled in an effort to break their Fuedal bonds.

As the Feudal System collapsed, the late medieval town became the focus of the "sheer desperation" felt by the peasants. For them the town was the "'frontier', a new and dynamic world, where people felt that they could break ties with an unpleasant past... find opportunities for social and economic success, where sclerotic traditional institutions and discriminations no longer counted and where there would be ample reward for initiative, daring and industriousness" (Cipolla, 1981). More concrete attractions were the low taxes and the freedom which the serfs would be entitled to, after a year and a day. Cities and towns were already emerging on the coastline of Europe. The more important ones were in the north of Italy and southern France - Genoa, Florence, Venice, Marseilles, Lyons. From as early as the twelfth century, long standing patterns had been developed by traders there. Regional specialisations and trading patterns which provided the foundations for early merchant capitalism were predetermined to a considerable extent by those twelfth century patterns (Knox and Agnew, 1989). The town and city bridged the gap between the decline of one system and the emergence of another. As Feudalism faltered and fell from grace, the cities and towns of Europe provided an alternative basis for social, political and economic regeneration.

City based Merchant Capitalism helped to fill the "void" created by the decline of Feudalism. Merchant Capitalism contributed to the development of the new social, economic and political structures that would make Europe all-powerful.

It was a system based upon trade and exchange and received its name from those who gave it expression - the Merchants. Merchant families such as the Guicciardini, Capponi and de Medici, became an elite group in society (Braudel, 1973). Throughout Europe small groups of well-informed Merchants, kept in touch by active correspondence, controlled the entire network of exchange in bills and spices. The Merchant Capitalists dominated the field of commerce and speculation. They were driven by the desire for profit.

The Merchant Capitalists had no past experience to fall back on and learned from their mistakes. The ships they used in early trading were bulky and unsuitable. Braudel describes them as "great giants that took an age to load and worked with the monopolists privileges" (Braudel, 1973). Navigation was difficult and sometimes took the form of haphazard guesswork. Journeys were prolonged and often took the sailors to unknown places. But there is no doubt that the merchants recognised, even at a very early stage, the great prospects and potential of overseas trading. Adventurers such as Marco Polo, responded to such promises of wealth and glory and undertook to make voyages for the merchants. Marco Polo's silk trail took him overland, through such countries as Turkey, Iran, Afghanistan and Tibet, to China, from where he brought back silk, tea, spices, perfume and other luxury goods. The growth of Merchant Capitalism was "self propelling" (Knox and Agnew, 1989). Once it had started, "the continued growth of trade was vital, for without it, neither the merchants nor those who depended on their success - producers, consumers, financiers etc., could maintain their positions, let alone advance them" (Knox and Agnew, 1989). Although progress was initially slow, gradually impetus was added. As trade continued and the merchants' profits increased, more capital was reinvested. Another factor which led to increased trading was the development of technology. Some borrowed techniques were directly useful in the European Voyages of Discovery - navigational aids such as the compass and astrolobe and improvements in rigging. Caravels the "light sailing ships" replaced the heavier ships. They were sturdier, better at catching the wind and easier to steer. By 1500, good Portolan maps, with sailing directions were to be had. Another factor in the progressive development of Merchant Capitalism was that geography worked in Europe's favour. The ocean proved less dangerous than they had feared (Jones, 1981). The sailors discovered that they were safer out in mid-ocean than they were along their own coasts.

Without both a labour force and a ready market, Merchant Capitalism could not have expanded. It was the peasants who came to the cities at the decline of Feudalism who helped satisfy these requirements. It was the peasants who willingly provided the labour that handled and transported the various goods that grew in appeal in a growing consumer market.

Merchant Capitalism grew and grew as a result of the improved conditions and enlarged markets. The Voyages of Discovery became more numerous. The Cape of Good Hope was rounded in 1488, the West

Indies discovered in 1492, Brazil described in 1500 and South America circumnavigated in 1520. Luxury goods were imported in greater quantities. Eventually as trading became more complex, it also came to be based, not only upon the luxury goods of earlier trade routes, but on bulky staples such as grains, salt, wool, cloth and metals. According to J.R. Hale, it was above all a thoroughly practical search for useful products, that determined the sensationally rapid opening of the aperture through which Europeans could look at the world.

The increased volume of trade fostered enormous amounts of urban settlement as the merchants began to find roots in the fast developing cities. Cities such as Genoa, Venice and Florence became huge urban centres. Within the cities, signs of the new economic, political and social structures were emerging.

Signs of economic organisation included the practice of import substitution, the development of banking and the emergence of mercantile associations such as the Hanseatic League. Import substitution involved the reproduction of goods in Europe, which the merchants had previously procured in the east or elsewhere. "European traders could identify foreign articles with a tested profitable market and ship them back to Europe where skilled workmen could learn to imitate them" (Knox and Agnew, 1989). Examples of Import Substitution included Kashmir shawls being replaced by Scottish Paisley shawls, Chinese china being replaced by French china, and English cotton replacing Indian cotton. Import substitution led to a huge rise in profits. In order to retain their profit, the merchants sought effective techniques of capital circulation. Italy led the world in business techniques, introducing to Europe minted money, the bill of exchange and the practice of credit financing. At first, many bankers were prosperous merchants who developed money lending as a sideline, such as the Bardi and Paruzzi families. What proved to be a bigger and more illustrious family, the Medicis, established financially independent branch banks in various key localities, whose financial ramifications extended throughout Europe (Hayes, 1967). The merchants set up the mercantile association, the Hanseatic League. It eventually included two hundred towns, villages and districts, in an area stretching from England and Flanders on the West, through Scandinavia in the far North to Russian Novograd in the East. Its objective was to secure trading privileges in foreign parts for member cities (export trade). It also devoted itself to the imports of Northern Europe and to the protection of the inland trade routes, of Northern and Central Europe.

Political organisation went hand in hand with economic organisation. The power of the feudal lords decreased, but kings became stronger. Monarchs such as Philip of Portugal and Ferdinand and Isabella of Spain realised that political organisation was needed in order to sustain and protect the economic system and that trading was crucial to the strength of the political kingdom. They responded by financing many of the Voyages of Discovery. As cities grew, the monarchs greatly increased their power by gaining the support of the middle classes in the towns. The townspeople agreed to support the kings by paying taxes in return for peace and good government. These developments gave birth to the nations of modern Europe. Braudel describes the state as the principle entrepreneur of the sixteenth century. "The state in the sixteenth century was increasingly emerging as the great collector and distributor of Revenue. It derived income from taxation, the sale of offices... an enormous share of the various national products. It was on the state that the biggest economic enterprises - shipping routes - depended" (Braudel, 1973).

In conclusion, by the mid-fifteenth century, sweeping changes were underway in European society. The age of the sixteenth century was an age of horizontal mobility, when poor men could move from one city to another, without being destroyed in the process, and it was one of vertical mobility at every point on the social ladder, as the old rich lost their wealth and were replaced by the new. At this time the social structures of European society underwent radical transformation. The social division of labour became more advanced, society more specialised and diverse in interest and capability. Europe became rich and wealth brought power and prestige. At the centre of this torrent of change lived the merchants whose activities gave birth to the Capitalism that supplanted Feudalism and has controlled Europe ever since.

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