Economic growth and living standards.
A comment on Bas van Bavel’s *Manors and markets*

According to *Manors and markets* the medieval and sixteenth-century spells of growth that characterised various regions in the Low Countries were generally unsustained and led to increasing polarisation, pollution, and other negative externalities. The social returns of the economically favourable social-institutional constellations that facilitated temporary efflorescences were thus relatively meagre. I have argued that this analysis could have been more persuasive if more attention had been spent on the implicit model put to work. In short, I feel *Manors and markets* should have better operationalised the core concept of ‘institutions’; expanded its theoretical framework to incorporate new growth theory; and proceeded more carefully and systematically from the available evidence on growth and especially living standards in the past. I believe the combination of these three elements with a more global understanding of the history of the Low Countries would have yielded a more optimistic reading of the region’s long-term economic and social history.

Introduction

Why are some countries and regions rich and others poor? This question continues to command a high research priority in the social sciences, history not excluded. Economic theory details the causes of economic growth: technological progress, accumulation of physical and human capital, market specialisation and differentiation, efficient institutions, etc. The question of why economies should develop and prosper is therefore answered relatively easily. The major question, however, is why straightforward theoretical recipes fail to bring about growth and development in so many regions, both past and present. In this field the historian has a comparative advantage over the economist and other social scientists. The discipline’s inherent long-term perspective allows for weighing different growth dynamics and then deciphering which sets of factors are beneficial rather than detrimental to economic devel-

1. This article benefited from insightful comments by Tim Soens, and expert proofreading by Jeremy Schreiber.
opment. This challenge is the starting point of the impressive monograph *Manors and markets: Economy and society in the Low Countries, 500–1600* by Bas van Bavel (Utrecht University). The case in question is well chosen, for despite its limited size, the Low Countries experienced a wide range of diverging growth dynamics in the period under consideration. Rather than attempting to reconstruct in detail the separate histories of growth and development for every region, the book instead seeks to unravel the causes and effects of diverging paths of development by examining several archetypical regions.

With this bold synthesis, Bas van Bavel adds at least two distinct elements to the historical and contemporary debates about growth and development. On the one hand, the explicit comparative and regional approach offers a prime counterbalance to the *national* level of analysis that has been increasingly pursued in, for example, the study of historical national accounts.\(^3\) On the other hand, this approach yields a full effect by the very long term under study, from the smouldering ruins of Antiquity to the burgeoning glamour of the Dutch *golden age*. The book foregrounds the medieval foundations (too often ignored) of early modern and industrial development.\(^4\) Van Bavel in fact goes even further and claims that ‘regional social structures developed in the early and high Middle Ages [*fifth to twelfth century, JH*] exercised a determining influence on later development, resulting in distinct paths of regional development’.\(^5\) Property structures and the direct or indirect derivative institutions and more abstract ‘power and social balances’ are underscored by significant explanatory depth. The connection with *New Institutional Economics* is obvious, and Van Bavel emphasises ‘the institutional organisation of the economy, and more specifically on the rules that govern exchange’.\(^6\)

In answer to the major question of why some regions did *not* grow and develop, *Manors and markets* points at institutions (regional property, market and social structures) which function as a prism, reflecting and rebounding (quasi)uniform supra-regional dynamics of demography, migration, ecology, technology, etc., in diverging directions. These institutional structures,

---

grounded in the early and high Middle Ages, were not permanent. A region’s socio-institutional adaptability to changing situations and the interplay between society, economy and institutions largely determined the region’s degree of wealth and poverty. At times a radical change in the ‘external’ situation facilitated one region in becoming better able to seize the moment than another.\(^7\) Socio-institutional sclerosis triggered by rent-seeking elites or self-interested social groups could cause economic stagnation or decline. An often-cited example is late medieval inland Flanders, a region which (according to Van Bavel) lost its competitive edge because the vested interests of the political and social elites, urban merchants and craft guild masters impeded further rural commercialisation and specialisation. The winning but ossified socio-institutional schema of the high Middle Ages proved insufficient for weathering the social and economic transformations of the late Middle Ages. An opposite example is recorded for Holland, where the late Middle Ages brought dramatic changes in property structures and the associated social and political balances ‘from a very egalitarian society of free, small-scale producers in the 13th and 14th centuries to the most polarised, capitalist society in the 16th and 17th centuries’.\(^8\) Even though this transformation resulted in strong economic growth, it was grim news for the ‘common man’.

Indeed, Van Bavel pays considerable attention to the social consequences of the spells of economic growth in the Low Countries, and this can be considered a third valuable addition to the debate on growth and development. Even though development economists strongly emphasise welfare broadly defined as the goal to be achieved – in other words, that successful economic development hinges on general welfare rather than on total or average output – few historians have adopted the widened perspective this claim demands. In the social sciences it is increasingly accepted that economic growth in the narrow sense (\(\text{GDP}\)) does not correlate with other aspects of welfare (such as literacy, life expectancy, child mortality, etc.).\(^9\) It is a significant accomplishment on Van Bavel’s part that *Manors and markets* consistently tries to connect trends in market development or output growth to the living standards and welfare of the ‘common man’. He tracks the well-trodden paths of real wage, yet also ventures onto the more slippery slopes of \(\text{GDP per capita}\) estimates as well as archaeological findings on stature and life expectancy.\(^10\)

\(^7\) See the introduction of Tim Soens and Erik Thoen and the contribution of Peter Stabel to this volume.
\(^8\) Van Bavel, *Manors and markets*, 393-394.
The general conclusion is pessimistic: ‘positive effects of economic growth on standards of living for the majority of the population were even scarcer, since these were cancelled or even reversed by the rising social inequality, pollution, and overcrowding’.\(^{11}\) This is a strong claim, one demanding strong empirical support. However, the evidence in favour of this account is weak, and the question remains of whether Van Bavel has properly interpreted the available evidence.

The relationship between economic growth and living standards constitutes one of three points I would like to raise concerning *Manors and markets*. Building on a metaphor of econometric modelling, this point relates to the dependent variable and how to measure it. My other points connect to the independent variables and ‘specification errors’ of the implicit model. I will first focus on the model’s ‘specification errors’. Van Bavel claims to follow the comparative method, yet a more rigorous methodological approach could have augmented its explanatory power. Second, I will discuss the explanatory framework of the book, since it surprisingly omits the theory that has become the mainstream perspective on economic growth and development in the long run. An interest in modern growth theories would have refined the analysis and may have led to a different set of questions and answers. As we will see, there are important leads to credit endogenous (and perhaps unified) growth theory in explaining growth and divergence in the medieval Low Countries. The third and final section will question the evidence for welfare and living standards.

### Explaining economic growth

The triangle of social structures, institutional organisation and economic development lies at the heart of *Manors and markets*. However, in the book elements that economic theory identifies as causing growth have only a minor significance in explaining diverging growth trajectories. Neo-Malthusian learning is rejected on the basis of its descriptive nature and the assumption that all underlying factors were identical throughout the Low Countries, yet Van Bavel does not attempt to prove that differences in regional economic and social development cannot be accounted for (even partially) by variations in ‘regional’ marginal cost and return curves. Due to the interplay of technological, demographic, and other factors, not all regions will have reached negative marginal returns at the same time, with all the associated consequences.\(^ {12}\)

For similar reasons the neoclassic model based on capital accumulation and

---

12. Van Bavel, *Manors and markets*, 3. See for example how neo-Malthusian theory can explain strongly diverging economic and social trajectories: Nico Voigtländer and Hans-
technological advances is downplayed, as is the classic model (originated by Smith and Ricardo) of commercialisation, specialisation and comparative advantages. For Van Bavel these factors cannot account for the regional divergences in the Low Countries, since they operate on a supra-regional level—yet it is emphasised that one of the strong points of the Low Countries was precisely its advanced regional specialisation in raw materials, industrial production, etc. Having rejected these competing theories, the institutional approach is the only outcome.

Indeed, Manors and markets seeks to explain two rather distinct major questions. The main explicit aim is to account for the regional variations in economic and social trajectories, and especially why some regions did not prosper. A more implicit question relates the Low Countries to global social and economic history. Although the comparison with the rest of Europe is not further developed in the book, the latter inquiry underpins much of the argument. In my view, institutions should be understood not as prime engines of growth but as factors that frustrate or retard economic development. Consider late medieval Holland, where the favourable socio-institutional framework together with technological innovations, capital accumulation, successful regional specialisation, accessible resources and budding aggregate demand resulted in industrial and economic expansion. To explain this efflorescence I would emphasise the interplay of the latter five ‘active’ variables. For Van Bavel the former is key to understanding why this efflorescence occurred in Holland and not in another region. Manors and markets elsewhere rejects as meaningful variables the independent explanatory power of geographical determinism, demographic and population dynamics (labour supply), urbanisation and idiosyncratic political-military events (that could only accelerate existing trends).

This explanatory model appears biased in three distinct ways. First, Van Bavel habitually rejects the relevance of non-institutional factors in direct (one-on-one) comparison to the socio-institutional framework. The synchronous interplay of all variables is not fully considered. Second, in contrast to the conceptual clarity associated with variables such as geography, urbanisation, etc., Manors and markets does not provide a roundtable discussion of what is and what is not part of a region’s ‘socio-institutional constellation’.

16. Although we just saw that its favourable resource situation was an important factor in the Holland expansion.
That the regions under study (see below) were selected because they differed radically in this respect is not especially helpful in understanding the regional specificities. Or are we to believe that Holland, Flanders and Guelders did not share any institution whatsoever? The regional socio-institutional structure is presented as a smooth but undefined unity, which hampers falsification of the author’s claims. Van Bavel discusses the development of a subset of important institutions, factor markets first and foremost, yet neglects the other constitutive elements of regional ‘social-institutional constellation’. Contrast this vagueness with the analysis presented by Avner Greif, one of the most prominent proponents of new institutionalism, in his often-cited study on medieval trade, where he devotes over thirty pages to defining institutions.18 The end result in Van Bavel’s book is an unfair balancing of explanatory factors, as no single classical, neoclassical or other ‘real’ variable can possibly outweigh a collective of undefined institutions. A more productive and persuasive tactic might have been to adopt the approach of Jan Luiten van Zanden, who has tracked the footsteps of economists by explicitly seeking to ‘test’ institutional efficiency.19

A more comprehensive comparative approach would have provided Manors and markets with more solid foundations. For late medieval Holland, as noted previously, Van Bavel rejects the independent significance of the ‘real’ factors of technology, capital accumulation, etc., since they were allegedly present in the other regions as well and did not lead to similar results. It remains to be seen if this is true. An interaction of gradual or even marginal differences between regions could result in substantial aggregate divergences. One could think of diverging population trends or plain geography: in terms of natural resources, population density, proximity to urban and trade networks, as well as the destruction of warmongery. Differences among any of these lines could cause diverging economic and social results from similar factors such as technological change.

In a way, this line of critique is perhaps unfair, as Manors and markets is primarily an extensive and well-documented synthesis that builds upon the work of others. The detailed information required to complete a full-fledged comparative analysis is simply not available. It is no coincidence that the book dedicates the most attention to Holland (772 hits), coastal and inland Flanders (739), Guelders (229) and Friesland (148), for these are the regions

18. Greif, Institutions.  
that have been most effectively studied, especially by Erik Thoen and Van Bavel himself.\textsuperscript{20} However, this approach reduces the methodology from a comparative study to the juxtaposition of a handful of micro-studies. From a science-philosophical perspective, this complicates the arduous endeavour of identifying causality.\textsuperscript{21} The analysis becomes less systematic as the number of variables exceeds the number of cases. Moreover, the small number of regions that are compared thoroughly differs drastically in most of the variables studied, to the extent that it becomes impossible to disentangle the effects of demography, politics, urbanisation, regional specialisation or socio-institutional constellation on economic development. More accurately, this approach does not allow for measuring the interaction between these variables. We do not need five completely different cases, but rather a dozen cases that can function as control groups for each other. I do not wish to claim that institutions do not explain growth or the lack thereof, but rather to question whether in the medieval Low Countries the regional socio-institutional differences were in fact substantial enough to explain diverging economic and social development.

**Economic growth in the long run**

These remarks echo some of the critiques levelled by economist Edward Glaeser and his colleagues against the methodological approach habitually practised in new-institutionalist analysis. Their recent econometric research suggests that in present-day poor countries, favourable institutions are effects rather than causes of economic growth.\textsuperscript{22} In line with new or endogenous growth theory, human capital formation and accumulation are identified as the main engines of growth and development. This brings us back to the essential distinction between factors that cause growth and variables that frustrate development. As noted, Van Bavel implicitly seeks to address both questions, yet is actually mostly interested in the latter. Consequently, growth theories are insufficiently incorporated into the analysis – recall the rejection of classic and neoclassic models. This is a missed opportunity, since economic historians increasingly accept that in the very long run, education, knowledge and human capital accumulation likely comprise the key and

\textsuperscript{20}. For example Erik Thoen, *Landbouwekonomie en bevolking in Vlaanderen gedurende de late Middeleeuwen en het begin van de Moderne Tijden* (Ghent 1991); Bas J.P. van Bavel, *Transitie en continuïteit: de bezitsverhoudingen en de plattelandseconomie in het westelijke gedeelte van het Gelderse rivierengebied, ca. 1300 - ca. 1570* (Hilversum 1999).


\textsuperscript{22}. Glaeser c.s., ‘Do institutions cause growth?’.
most sustainable engine of growth and development. New or endogenous growth theory, pioneered by Paul Romer, Robert Lucas and Robert Barro, is currently the dominant paradigm in long-term growth economics and continues to attract increasing numbers of followers in historiography (such as van Zanden’s recent monograph, referred to previously). Unified growth theory constitutes the most recent theoretical addition, as it aspires to conflate economic history ‘from Malthus to Solow’ in one endogenous model that explains both millennia of pre-industrial stagnation and the take-off to modern economic growth. In short, this theory combines neo-Malthusian insights with endogenous growth theory through the lenses of returns to human capital and parental choices in terms of numbers of children and their level of schooling.

*Manors and markets* does not take these theoretical (and increasingly, empirical) insights into consideration, though an interested reader might find important clues in the book. For one, Van Bavel acknowledges that ‘in the early Middle Ages the few centres of formal education and learning […] were mainly located in regions identified as early medieval centres of economic development’, whereas in the proceeding periods the ‘intellectual and educational centre’ traced urbanisation and economic development from the Meuse valley to Flanders. Increasing literacy, schooling through craft guilds and the proliferation of urban and rural primary schools are allowed ‘far-reaching’ social and economic consequences. In fifteenth- and sixteenth-century Holland, ‘investment in human capital was high […] and entrance into skilled jobs easy, with a positive effect on the region’s economic growth potential’. In addition, the book demonstrates that in a number of weakly performing late medieval regions (such as Guelders or inland Flanders), the numbers attending schooling had declined or at least approached values much lower than those in Holland or Friesland, where almost all young boys attended school. Education and economic growth were thus very closely associated in the medieval Low Countries. *Manors and markets* relates both types of growth to the socio-institutional constellation of the successful region. Only further detailed comparative research into the chronology and geography of medieval schooling and education can clarify the veracity of this chain of causality. The

lack of such research constitutes a crucial research priority for economists and historians and a unique opportunity to contribute to endogenous growth theory.

**Economic growth and living standards**

Development economics stresses that growth and development should ultimately be understood in terms of general welfare and living standards. This has not been lost on Van Bavel, for he systematically considers the social effects of growth and development or, in other words, questions whether the ‘common man’ profited from economic expansion in the medieval Low Countries. *Manors and markets* distinguishes extensive from intensive growth: the former implies population growth and areal expansion, the latter is associated with increases in GDP (per capita), life expectancy, urbanisation, etc. This distinction is not always easy to make and often leads to confusion as to which factors describe, explain or follow from economic development. In short, the dependent variable of the book is not always clear and tends to change. This lack of systematic analysis is more problematic than it seems, for it obscures important quantitative and qualitative differences in growth trajectories. *Manors and markets* studies 1,100 years of social and economic development but does not clarify whether the subsequent growth accelerations led to increasingly higher levels of output and welfare. In opposition to recent claims of medieval structural growth, Van Bavel suggests that even in Holland’s golden age – considered by some to be the first modern economy – the Malthusian plafond was firmly present. ‘In this respect, however, the socio-institutional arrangements of the high Middle Ages seem to have been at least as successful in the economic exploitation of resources as those of the later Middle Ages’. Moreover, *Manors and markets* makes a pessimist case for the plight of the ‘common man’. Although intentionally hyperbolic, the book does support the claim that ‘the free peasant in the sixth century Campine, with an abundance of land, probably had easier access to food and a more varied diet than the serf in the ninth century on a manor in the Guelders river area, who was better off than the peasant in the crowded countryside of thirteenth-century inland Flanders or the journeyman in a fifteenth-century Holland town’.

---

30. Sen, *Development*.
Van Bavel strongly believes that the ‘average’ or ‘modal’ man was worse off by 1500 than he had been in 600. This negative interpretation of the connection between economic development and welfare in the medieval Low Countries finds expression in the many references to processes of polarisation and proletarianisation. For Van Bavel market expansion brought output growth but at the same time resulted in a more unequal distribution of its riches. However, the evidence presented in *Manors and markets* is not fully convincing. As noted, Van Bavel adheres to a broad definition of human welfare, a definition that goes beyond income (inequality) to include life expectancy, stature and material culture. This is a formidable attempt, but as Van Bavel rightly remarks, much work still needs to be done. In my view, the current evidence does not facilitate the conclusion that from the early Middle Ages to the sixteenth century, stature and life expectancy decreased. Both conclusions are based on archaeological findings of less than a hundred observations per century. The evidence does not allow accounting for regional variation and therefore precludes causal connections between economic development and welfare.

A focus on real income provides a more restricted understanding of welfare, yet has the benefit of numbers. The real wage, which deflates computed annual wages with a consumer prices index, is thought to be ‘an indicator much closer to most people’s material experience than GDP per capita’. Secular real wage trends are well known, and *Manors and markets* adds to the trope that the fifteenth century was the ‘golden age of the labourer’: ‘the position of the lower groups in society became much worse in the late 15th and 16th centuries, when a clear acceleration occurred in the processes of proletarianisation, polarisation, and fragmentation’. The proof for these claims is found in polarising property structures and the ensuing loss of control over land, declining real wages and high income inequality (although inequality is only studied in the section on ‘social transformations in the towns’ and

---

36. Also see Catharina Lis and Hugo Soly, *Poverty and capitalism in pre-industrial Europe* (Hassocks 1997).
is not connected to the living standards discussion). The question is whether these observed facts in effect resulted in budding polarisation of living standards and in increased poverty.

Consider the sixteenth-century Southern Netherlands and the city of 's-Hertogenbosch in particular. It has been established that for this region, contracting real wages (which halved between 1500 and 1550) were not associated with declining real incomes for the majority of the population.\textsuperscript{43} In contrast, the sixteenth-century Brabantine efflorescence (which receives but cursory attention in Van Bavel's book) lifted incomes in all brackets. Despite plummeting real wages and massive income inequality, no polarisation or proletarianisation was discerned at the household level. The divergence of average incomes and real wages has been established for other booming regions in early modern and nineteenth-century Europe\textsuperscript{44}; but this case suggests that the often automatic conclusion that economic growth progressed hand in glove with worsening living standards for 'the masses' should not be an assumption but rather a subject for study.

Indeed, one should proceed carefully even with figures of high and increasing income inequality in times of efflorescence. In sixteenth-century 's-Hertogenbosch, as in all towns in the Low Countries and Europe as a whole, late medieval and early modern income inequality was massive. Gini coefficients (ranging from 0 to 1, from perfect equality to complete inequality) amounting to 0.6 up to 0.8 were not exceptional.\textsuperscript{45} However, the Gini coefficient and others that are used habitually measure population inequality and do not allow for conclusions about polarisation. Consider the income distribution in 's-Hertogenbosch in more detail. There, in 1502 and in 1552 (two examples cited in \textit{Manors and markets}), the ratio of the highest to the lowest tax contribution was roughly 1000:1. At the same time, however, the income distribution was far from polarised: keeping the same abstract unit of measurement, the household situated in the 25th percentile contributed 10, the median household 35 and the household in the 75th percentile 100. Ascending the income distribution from bottom to top was thus a gradual progress, not one marked by abrupt ruptures in the social structure. If we accept that the very poorest inhabitants of 's-Hertogenbosch tiptoed on or even over the edge of 'bare bones' subsistence, fiscal documents reveal that the households

\textsuperscript{44.} Luis Angeles, 'GDP per capita or real wages? Making sense of conflicting views on pre-industrial Europe', \textit{Explorations in Economic History} 45 (2008) 147-163.
situated in the 25th percentile enjoyed a tenfold income. Even taking household size into consideration, it should be clear that relative deprivation (major inequality) is not necessarily equal to absolute deprivation (poverty). In sixteenth-century 's-Hertogenbosch, about half the urban population earned an income double what was necessary to respectfully feed and shelter a family of four. The near-destitute urban journeyman who, for Van Bavel, suffered from interlocked dynamics of polarisation, shrinking wages, etc. comprised but a minor fraction of the urban populace of the Low Countries. Indeed, some claim that one of the key achievements of pre-industrial Western Europe lay precisely in its creation, proliferation and accumulation of incomes besides labour. Without denying the reality of the poverty of substantial segments of the population, a rigid focus on wage labourers and their living standards crucially misreads the advancements made in late medieval and early modern Europe and its ‘rise of the middling groups’. Manors and markets does not deny the progress in, for example, material culture registered in the late Middle Ages, but couches these findings in a pessimist story of increasing polarisation.

All in all, Van Bavel sketches a relatively bleak picture. The social gains realised by the Low Countries, which were among the most economically advanced regions in the world in the late Middle Ages and the sixteenth century, were modest at best. Growth spells were unsustained and led to increasing polarisation, pollution, and other negative ‘externalities’. The social benefits of the lauded socio-institutional constellations that at certain times allowed some regions to prosper should thus not be overestimated. I have argued that Van Bavel’s analysis would have been more persuasive if more attention had been addressed to the implicit model put to work. In short, I feel Manors and markets should have better operationalised the core concept of ‘institutions’; expanded its theoretical framework to incorporate new growth theory; and proceeded more carefully and systematically from the available evidence on growth and especially living standards in the past.

* *