

‘The Great Divergence’ within Europe:

Why did Northern Europe Rise?*

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ヨーロッパ内部の「大分岐」
——なぜ北方ヨーロッパは勃興したのか——

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Introduction

Since the publication of *The Great Divergence*, written by Kenneth Pomeranz, in 2000,¹⁾ global historians have debated when and how the Great Divergence occurred. For example, Joel Mokyer²⁾ and Jan Luiten van Zanden emphasise the importance of the ‘Knowledge Economy’.³⁾ Gregory Clark⁴⁾ insists that in Britain, as disease killed off poorer members of society, their social positions were taken over by the sons of the wealthy, biologically spreading less violent, more literate and harder-working behaviour throughout the population. Parthasarathi presents yet another view, in which the economically advanced regions of Europe and Asia differed little in the seventeenth and eighteenth centuries, and subsequently diverged because Europe possessed superior markets, rationality, science and institutions. Parthasarathi notes that cotton was the most important product for dominating the world economy, and that cotton from Lancashire dominated the Indian market from around the 1820s.⁵⁾ Finally, Peer Vries compares the state-fiscal system between Britain and China.⁶⁾

These historians believe that Europe and Asia traced fundamentally similar paths until a stage in the Early Modern period called the ‘Great Divergence’, during which Europe overwhelmed Asia economically.

There seem to be three problems in the theses of Pomeranz and other global historians, and in general discussions of the ‘Great Divergence’. First, these global historians define ‘Asia’ vaguely. We cannot agree with Pomeranz and consider the Yangtze Delta typical and representative of ‘Asia’. Asia is larger and more varied than Europe, and Europe is more homogeneous than Asia in terms of history, culture and environmental conditions. This raises the question of whether it is possible to compare Asia and Europe using the approaches of these historians.

Second, even if we consider Asia a unified area, can we consider Asia and Europe to have followed similar paths (i.e. Smithian economic growth)? Some global historians assume *a priori* that the two areas took similar paths, but I do not believe they have proved this theory. This is one of the most serious defects of the view of global historians.

Third, we must note that before the Great Divergence between West and East, there occurred a Great Divergence between Northern and Southern Europe. The economy of Northern Europe surpassed that of Southern Europe and the Netherlands and Britain became the economic leaders in Early Modern Europe.⁷⁾ Thus before investigating the Great Divergence between West and East, we need to consider that in Europe. 'The Great Divergence between West and East' would not have occurred without the previous 'Great Divergence in Europe'.

Early Modern Europe experienced frequent wars. Many states of this period are called 'Fiscal-Military States',⁸⁾ meaning states that spend much of their revenue on war. However, despite numerous wars, Europe—especially Northern Europe—was able to develop economically. Therefore, I wish to ask why European states achieved economic growth during this period of warfare. War and economic growth appear closely connected and it is useful to ask why. Patrick O'Brien has spent many years examining this question.

This question is, as will be discussed later, closely connected with merchant networks centred on Amsterdam and the diffusion of homogeneous commercial know-how throughout Northern Europe, mainly through Amsterdam. That is, the Age of the 'Fiscal-Military State'⁹⁾, or 'the long eighteenth century' established institutions suitable for supporting economic growth in Europe because it diffused homogeneous commercial information, intelligence and know-how and thus reduced the trading risks.¹⁰⁾

1. The Age of Mercantilism¹¹⁾ and the 'Fiscal-Military State'

Early Modern Europe is generally considered an age of Merchant Capitalism.¹²⁾ This means commerce is considered the driver of the European economy during this period. However, nobody has actually proved this thesis. Theoretical economics considers Merchant Capitalism to be a form of capitalism in which commerce contributes disproportionately to the national accounts. However, the Early Modern European economy was overwhelmingly agricultural.¹³⁾ Historians have naïvely ignored this paradox. Therefore, we must ask why commerce is considered so important. Answering this question requires investigating the economic structure of the Netherlands during its 'Golden Age', because it was the most prosperous 'commercial' country in Europe. The ratio of commerce to total economic activity in the Dutch Republic was exceptionally high.¹⁴⁾ The Dutch Republic was probably the only country in Early Modern Europe whose economy depended primarily on commerce rather than agriculture.

The most profitable industry in the age of Mercantilism may have been shipping.¹⁵⁾ We should not confuse trade (exchange of commodities) with shipping (carrying goods). Many European countries adopted trade protections because they preferred to use their own ships rather than pay to use Dutch ships. The English Navigation Acts provide an example of such trade protections.¹⁶⁾

In Early Modern Europe transport costs comprised a very large proportion of the total cost of goods.¹⁷⁾ Thus invisible trade may have been much more important than balance of trade for acquiring and growing benefits.¹⁸⁾ Furthermore, the Netherlands had the largest mercantile fleet in Europe, and thus are assumed to have enjoyed the largest shipping profits among European countries.

Merchant Capitalism is a form of capitalism dominated by commerce. However, Merchant Capitalism does not necessarily require that the commercial sector contributes more than other sectors to the national accounts. While

agriculture was the most significant contributor to the national accounts in Early Modern Europe, international trade was also considered very important, particularly since reducing transport costs was an excellent means of increasing commercial profits and state revenues. We can regard Early Modern Europe as an age of Merchant Capitalism since many countries excluded Dutch *shipping* to protect their own commercial profits. The Age of Merchant Capitalism thus corresponds with the Age of Mercantilism.

Jan de Vries and van der Woude consider the Netherlands to be ‘The First Modern Economy’, based on it being the first economy in world history to experience sustained economic growth. Sustained economic growth existed even in the Age of Merchant Capitalism, aided particularly by the reduction of transport costs. The Age of Merchant Capitalism saw many technological innovations, albeit fewer than in the Age of Industrial Capitalism, and some of these innovations related to transport. We may assume that reduced transport costs were the major contributor to increased Total Factor Productivity (TFP). The Dutch Republic thus was the first modern economy in the sense of experiencing sustained growth based on shipping.¹⁹⁾

However, the Dutch Republic was not ‘The First Modern *Economic State*’, because it was not centralised and thus was unlike a conventional ‘state’. England, with its more centralised political organization, thus became the first modern economic state. The Netherlands and England also differed fundamentally in that the Netherlands adopted a free-trade policy in Europe (but not in Asia) while England achieved commercial prosperity through efficiently protecting its economy. England was the most successful mercantile state,²⁰⁾ and by protecting its commercial interests through Mercantilism it became the most successful ‘Fiscal-Military State’, and thus suitable for the creation of a commercial society. The term ‘Mercantilism’ is closely connected with the ‘Fiscal-Military State’.

The Early Modern period has been called the Age of Absolutism, and the ‘Fiscal-Military State’ was closely associated with Absolutism. Absolute states enhanced the power of kings. Fiscal-military states had standing armies and elaborate bureaucracies, the maintenance of which required significant spending. As Patrick O’Brien has repeatedly stressed, states provide public goods, and protect economic and commercial activities.²¹⁾ The ‘Fiscal-Military State’ provided protection for mercantile activities and thus enabled economic growth in Northern Europe. In my opinion, Northern Europe was more successful in establishing ‘Fiscal-Military States’ than Southern Europe, leading to the Great Divergence between the two areas.

2. Merchant Networks

Nation states emerged in the age of the ‘Fiscal-Military State’ or Mercantilism. During this period, many states forcibly exiled social outsiders to foster homogeneity. On the other hand, European states could not continue wars without importing resources and borrowing money externally. European states thus needed cosmopolitan or borderless merchant networks. Although European states persecuted outsiders, they could not pursue wars without their assistance. The ‘Fiscal-Military State’ thus inevitably and unintentionally helped to create a homogeneous commercial society in Northern Europe.

Borderless merchants exchanged commercial information with family members, friends, and affiliated merchants in foreign countries. They shared common forms of commercial information, instruction systems for teach-

ing merchants, and commercial cultures. In the Age of the 'Fiscal-Military State', merchant networks expanded rapidly.²²⁾ Commercial information was exchanged across country borders, information asymmetries reduced and markets functioned better, thus stimulating growth in Northern European economies.²³⁾

One feature of Early Modern Europe was a lack of reliable information. Merchants in Early Modern Europe traded primarily with family members, friends, or members of the same religious sect. According to de Bruyn Kops, "Because of the distances and time lags involved, international trade was most dependent on the overlapping highly personalised merchant networks".²⁴⁾ Additionally, Philip Kelsal wrote that "Trade was therefore conducted within business structures that placed a premium on personal relationships, including blood and family ties, relationships based on friendship and trust, or even patron client relationships".²⁵⁾ In Early Modern Europe, many merchants were driven from their homelands by religious oppression. These movements of people were sometimes called 'diasporas'. The most important among these persecuted merchant groups were the Sephardim, Armenians, Huguenots, Jacobites, and Greeks. These groups established extended commercial networks independent of nation states and contributed to the birth of homogeneous commercial society, which resulted partly from the rise of the 'Fiscal-Military State'.

Pierrick Pourchasse described the Huguenots as follows;

Although these Huguenots often retained their French nationality and participated in the development of the important French maritime trade, they were not French merchants. Their activities touched all countries in Northern Europe. They married their children just as easily in Germany, Switzerland, Holland and Britain as they did in France, and as the generations followed one after the other, were more or less assimilated into their host towns. They used their contacts for commercial ends, preferably with France but also with Britain where the Huguenot immigration had also expanded. They formed a supranational community whose common interest was trade. Their strongest geographical attachment, if there was one, was not their native country but the port or country of business.²⁶⁾

The tendencies described above apply equally to many other cosmopolitan religious sects.

Besides borderless merchant networks, neutrality was also important in Early Modern Europe. Merchants could not trade formally and directly with enemy countries during wartime, but could do so informally via neutral states or cities. Hamburg, for example, became notable for its neutrality from 1618. Sweden and Denmark were also important neutral states. During wartime, belligerent nations were sometimes forced to use neutral ships, or to fly neutral flags on their own ships, to continue commerce. For example, when the Netherlands was at war, some Sephardim fled from Amsterdam to Hamburg. Hamburg was a religiously tolerant city. While the city was Lutheran, and restricted citizenship to Lutherans, Jews were permitted to reside and trade there.²⁷⁾ This contingent of Sephardim exploited the commercial and religious relationships between Amsterdam and Hamburg to help the Dutch continue to trade even during wartime.

Hamburg represents just one example of how neutrality assisted commerce in Early Modern Europe.

Specifically, the case of Hamburg illustrates the relations between nations and borderless merchant networks that helped minimise the commercial and economic damage of war. However, it is important to realise that the scale of wars in Early Modern Europe was extremely limited compared with the Twentieth Century, which also helped prevent devastating effects.

The Age of the 'Fiscal-Military State' thus stimulated economic growth. The European states experienced economic growth because of wars rather than in spite of them. In the eighteenth century, many states in Northern Europe became 'Fiscal-Military States', and Northern Europe began to develop institutions that supported economic growth.

3. The Rise of Amsterdam

Amsterdam attracted many immigrants as it grew into a major commercial centre. In 1960, Breulez wrote an article on the diaspora from Antwerp.²⁸⁾ The contribution of Antwerp to the growth of Amsterdam has since become widely acknowledged.²⁹⁾ In 2000, Oscar Gelderblom published a book on immigrants from the Southern Netherlands to Amsterdam.³⁰⁾ In presenting a contrasting view, Clé Lesger criticised Gelderblom mainly for underestimating the role of Antwerp in the development of Amsterdam, and particularly the number of poor immigrants it supplied.³¹⁾ Commercial know-how imported from Antwerp clearly contributed to the rise of Amsterdam, especially in terms of Baltic trade (*Moedernegotie*). Antwerp was also a centre for immigration by Genovese. Antwerp was important to foreign merchants because of the sheer scale of its supply and demand, as well as its well-developed commercial infrastructure. For this reason, it is better to speak of 'trade in Antwerp' rather than 'Antwerp trade'.³²⁾ Notably, Cologne merchants from Hansa also traded in Antwerp.

Clé Lesger maintained that Amsterdam was a 'gateway' acting as intermediary between its hinterland and the rest of the world.³³⁾ Dutch historiography has emphasised the hierarchy of the Amsterdam staple system and framed it in relation to local, regional and international markets. Klein and Veluwenkamp wrote,³⁴⁾ "Surpluses of these regional markets were traded on a market of a higher level, so that a hierarchy of markets came into existence, at the top of which there was a central permanent entrepôt, the concrete world market". Many goods traded internationally were stored in Amsterdam, and many international merchants traded there. Lesger contended that the positions of Van der Kooy and Klein and Veluwenkamp were similar.³⁵⁾ Presenting a different perspective, Lesger denied the existence of a hierarchy of markets dominated by Amsterdam. According to Lesger, Amsterdam was not the *most* important market for *all* commodities. While the city imported many kinds of goods, it did not occupy the top of the hierarchy for all of those commodities.³⁶⁾

Hanseatic merchants dominated the Baltic trade until the middle of the sixteenth century, but by the end of this century, dominance shifted to merchants of Amsterdam. On the one hand, this shift suggests a discontinuity between the merchants of Hansa and Amsterdam. However, as Milja van Tielhof showed, several Hanseatic merchants in Danzig married Amsterdam merchants in the latter part of the sixteenth century.³⁷⁾ The commercial know-how of Hanseatic merchants thus may have been transferred to the merchants of Amsterdam. Amsterdam attracted immigration from merchants especially after 1578 when it joined the Dutch Revolt.³⁸⁾ From this point Amsterdam

became the largest melting pot of merchants in Europe, making it difficult to generalise about the identity of the Amsterdam merchants. The commerce of Amsterdam grew with its rapidly growing population. The diversity of the residents of Amsterdam forced merchants there to trade with members of other religious groups, a phenomenon which was unique during this period.

Compared with the European trade, trade with Asia was not important around 1600. Asia was too far from the Netherlands to strongly influence the Dutch economy outside of finance. Oscar Gelderblom and Joost Jonker wrote, "[in] the evolution of [the] Amsterdam capital market as a consequence of the Dutch overseas expansion ... contrary to commonly held notions about the emergence of secondary markets, private finance took precedence over public finance in the Dutch Republic."³⁹⁾

Gelderblom and Jonker consider finance, especially private finance in the VOC (Vereenigde Oostindische Compagnie), one of the most important foundations of Dutch prosperity. However, in terms of commodity flows, Asia does not seem to have been particularly significant for the Dutch Republic in 'the Golden Age'. Jan de Vries and Ad van der Woude wrote,

The East India Company directors in Patria could not expect to receive replies to their correspondence with Batavia in less than twenty months. This fact, whose rough equivalent today would arise only with the establishment of regular trade with the nearest star in our galaxy, is of the first importance in understanding the VOC's behavior."⁴⁰⁾

Therefore, given the remoteness of Dutch trading posts in Asia, we should not overemphasise the role of the VOC in the making of 'the Dutch Golden Age'.

From the middle of the sixteenth century the increasing population of Europe caused prices of foodstuffs to rise steeply. The Dutch Republic had previously imported grain only from nearby areas such as France or Germany, but as its population grew it had to supplement these traditional supplies with grain from the Baltic, especially Poland (Danzig).⁴¹⁾ The Baltic thus became extremely important for the Dutch economy. The Dutch Republic not only consumed imported Baltic grain but also re-exported it. From the middle of the sixteenth to the middle of the seventeenth century, the most significant trading region for the Dutch Republic was the Baltic, especially Poland.⁴²⁾ From the 1580s, the Dutch began to re-export grain to Italy.⁴³⁾ The basis of Dutch economy around 1600 was the Baltic grain trade.⁴⁴⁾

As mentioned previously, Amsterdam was a melting pot of merchants from different religious, ethnic, and other groups. While the Dutch Republic was a Protestant country, it displayed exceptional religious tolerance. For example, Catholic merchants could trade with Protestant merchants, and Amsterdam was host to a colony of Sephardim. According to Wallerstein, "the Dutch were liberal and welcomed both Huguenots and Jansenists; Puritans, Royalists, and Whigs; and even the Socinians. All were beneficiaries of Holland's commercial axiom: 'Forbid as little as possible, accept inputs from everywhere'.⁴⁵⁾ Amsterdam was a 'gateway' not only of commodities but also of people, money and information. In this sense Amsterdam was the most important city in Europe

because it was where people could get the most varied and sometimes the most reliable commercial information.

Table 1 shows the origins of the people in Amsterdam. In 1600 those born in Amsterdam comprised only 30% of the total population of the city. By 1650 this ratio had increased to 38.9%, but even in 1800 it remained only 53.2%. Many people arrived in and left Amsterdam. Northern Europe had many gateways through which commodities and information flowed. Prominent among these were Amsterdam, Hamburg, Stockholm, Göteborg, Copenhagen, and Antwerp. However, Amsterdam was the largest such gateway during the seventeenth and eighteenth centuries.

Amsterdam was a central city for European commerce and finance, and a site for the accumulation of commercial information and know-how. Therefore, many merchants found it convenient to settle there permanently or

Table 1 The Origins of the Inhabitants of Amsterdam

Birthplace	1600	1650	1700	1750	1800
Amsterdam	20,000	70,000	125,000	112,000	117,000
	30.0%	38.9%	53.9%	51.0%	53.2%
Other cities in Holland	2500	10,000	9000	7000	10,000
	4.0%	5.5%	3.5%	3.3%	4.2%
Rural areas in Holland	4000	7000	7000	4000	6000
	6.0%	4.0%	3.3%	2.3%	3.0%
Other areas in the Netherlands	13,000	23,000	32,000	35,000	36,000
	20.0%	13.5%	14.0%	15.9%	16.2%
Total domestic immigrants	19,500	40,000	48,000	46,000	52,000
	30.0%	23.0%	20.8%	21.5%	23.4%
Germany	16,000	35,000	32,000	40,000	43,000
	25.0%	20.0%	14.0%	18.0%	19.5%
Belgium and France	4500	11,000	7000	1000	1000
	6.5%	6.5%	3.0%	0.3%	0.4%
Britain	1000	1000	1000	1000	1000
	1.5%	0.5%	0.3%	0.3%	0.4%
Other foreign countries*	4000	4000	18,000	17,000	20,000
	7.0%	11.0%	10.0%	8.9%	3.1%
Total foreign immigrants	25,500	65,000	57,000	62,000	51,000
	40.0%	38.0%	25.3%	27.5%	23.40%
Total	65,000	175,000	230,000	222,000	222,000

* Scandinavian surname is used as the identifier for this group.

(Source) Jan Lucassen “Immigranten in Holland 1600–1800 Een kwantitatieve benadering”, Centrum voor de Geschiedenis van Migranten Working Paper 3, Amsterdam, 2002, p. 25, table 5.

temporarily. Merchants that lived in Amsterdam temporarily could acquire vital commercial knowledge that could be usefully applied elsewhere. For example, Louis de Geer, who is noted as a founder of the Swedish iron industry, did not go to Stockholm *directly* from Liege (his birthplace) but rather went via Amsterdam.⁴⁶⁾ Many merchants migrated to Amsterdam, obtained commercial know-how, and then migrated on to other European cities to apply that know-how. As I have written, the Netherlands was a decentralised country, and did not and could not control the movements of merchants. Therefore, the Dutch Republic was able to contribute to the rise of the economies of Northern Europe.

4. Diffusion of Information and Homogeneous Commercial Know-how⁴⁷⁾

The 'gateway' of Amsterdam facilitated the spread of commodities, people, money and information throughout Early Modern Europe. The merchants of Amsterdam used commission agents to reduce their transaction costs by decreasing monitoring costs.⁴⁸⁾ However, while using commission agents allowed the Dutch to reduce transaction costs, it ultimately harmed them by diffusing their know-how and thus decreasing their commercial advantages. Dutch use of commission agents gave foreign merchants opportunities to acquire the commercial know-how that the Dutch had accumulated over many years.

In Early Modern Europe, merchants shared similar commercial information, commercial cultures and instruction systems for teaching merchants. Educational tracts for merchants had been published in medieval Italy. However, the most influential work on this subject was *Le parfait Négociant* by the French writer Jacques Savary.⁴⁹⁾ This work was copied in numerous foreign languages. The concept of copyright did not yet exist, and so writers not only freely copied but also made revisions to meet their own needs. In Britain, Malachy Postlethwayt wrote *The Universal Dictionary of Trade and Commerce*,⁵⁰⁾ which was largely a translation of *Le parfait Négociant*. The merchant tracts⁵¹⁾ were read by both Catholics and Protestants, and probably also by Jews, contributing significantly to decreasing transaction costs and simplifying cross-cultural trade.

Merchant networks expanded rapidly. The expansion of these networks reduced transaction costs and promoted economic growth in Europe. Much commercial information was planted in Amsterdam, where it developed further before being re-exported to other European trading cities, especially London and Hamburg.

Moreover, *prijscourant* (price current) started to be printed in the Netherlands to transmit commercial information.⁵²⁾ At first only a small number of merchants could access the price current. However, by the seventeenth century it was also printed in Italy, England and France. Before the introduction of price current, price information was circulated among private networks and tended to be monopolised. After its introduction, price information was universally available, and distributed weekly. The publication of printed price and commodity information saw annual European markets give way to continuous urban market places, and previously seasonal exchange rate current or commodity price current began to be published weekly, even twice-weekly. Commodity price current was adopted by anyone with the money to buy it, and listed all locally traded products. The data had an official character because officials monitored the publications in which it appeared.⁵³⁾

The Dutch case was not the first example of published price current, but was the most important in terms of

information distribution. The earliest surviving examples of published commodity price current are from Venice, and the practice later spread to the major northern European trading cities of Frankfurt, Amsterdam and Hamburg. This shift from Southern to Northern Europe was important. The publication of commercial newspapers reflected the economic power of cities. Economic power and commercial publications shifted from Italian cities, especially Venice, which dominated in the fourteenth and fifteenth centuries, to Antwerp in the first half of the sixteenth century, then Genoa in the second half of the sixteenth century, then Amsterdam from the early seventeenth to the early eighteenth century, and finally to London, which ruled for the next two centuries. Thus in Northern Europe, Dutch was the language of many of the earliest commodity prices.⁵⁴⁾ Demonstrating the economic power of the Dutch at this time, Louis de Geer was ennobled in Sweden for his contributions to the Swedish iron industry in spite of speaking Dutch rather than Swedish.⁵⁵⁾

While price current published in Amsterdam undoubtedly reduced transaction costs for the Dutch, it also reduced transaction costs for other nations. Availability to merchants of printed price information made it easier for them to obtain specialist knowledge. The Dutch could have exploited information asymmetries to their advantage if they had not issued price current. While failing to publish price current would have increased their own transaction costs, others would have faced even larger increases. The Dutch published price current to reduce *their own* transaction costs. The Dutch Republic was the most advanced economy in Europe, and Dutch merchants valued personal profit over national profit. This philosophy saw information on commodity prices gradually transformed from a private good to a public good.

In other European countries the consular system developed, with France, Sweden, and Denmark all good examples.⁵⁶⁾ The consular system was unnecessary for the Netherlands because growth in Dutch trade was driven by merchants, with state power playing a relatively insignificant role. However, European countries other than the Netherlands suffered ‘Economic Backwardness’. European states thus intervened in their economies to catch up with the advanced economy of the Netherlands. The ‘Fiscal-Military State’ was one example of such economic intervention, and relied on military power to protect markets.

The ‘Fiscal-Military State’ supported economic growth because it ensured merchants had sufficient information to trade. Information on goods flowed efficiently and became increasingly transparent. Customers could learn about commodities available for purchase. Commodity chains could spread information on traded commodities, and information asymmetries steadily reduced. These factors significantly reduced transaction costs in Northern Europe.

5. Imports of Commodities from the New World and Asia

In this section we consider imports of colonial goods and expanding merchant networks in ‘the long eighteenth century’.

In the Early Modern period, new kinds of commodities were imported to Europe, especially from the New World. In the eighteenth century, the rise of the Atlantic economies influenced Europe more than Asian trade did. Even in the Dutch Republic, the Atlantic trade became dominant during this period.⁵⁷⁾ The French economic his-

torian F. Crouzet considered France to have experienced 'Americanization' during the eighteenth century.⁵⁸⁾ The whole of Northern Europe experienced a similar phenomenon.

Commodity imports in England, France, Hamburg and the Baltic display this phenomenon of 'Americanization'. Table 2 lists England's imports in the eighteenth century. From this table we can see that at the beginning of the eighteenth century, the North Sea and the Baltic were England's most important trading partners. The proportion of Atlantic trade remained small from 1669–1701. It was only during 1772 to 1774 that imports from the Atlantic increased dramatically. Thus we should not exaggerate the role of the Atlantic in the hegemonic transition from the Netherlands to England.⁵⁹⁾ Moreover, while England's trade with Asia increased, the increase was much smaller than that of its trade with the Atlantic.

Regarding French trade, Table 3 shows that sugar and coffee proportionally were very significant. St. Domingo was France's main supplier of sugar and coffee, which went primarily to Bordeaux. From Bordeaux these goods were re-exported mainly to Hamburg⁶⁰⁾ or Amsterdam.

In the eighteenth century, France established a maritime empire similar to the British Atlantic Empire.

Table 2 English overseas trade flows (£'000, official values)

	North Sea		Baltic economies		Mediterranean and Southern Europe	Atlantic colonies and the West Indies	Asia	Total
	Holland	other countries	Northern Europe	N. Sea Total				
1669–1701								
Imports	519	889	583	2,001	1,555	1,107	756	5,849
Exports	1,078	781	255	2,114	1,484	539	122	4,433
Re-exports	712	451	80	1,243	224	312	14	1,986
1722–24								
Imports	575	784	591	1,950	1,783	1,679	966	6,758
Exports	936	598	216	1,750	2,141	758	93	5,042
Re-exports	970	778	46	1,794	176	487	19	2,714
1752–54								
Imports	909	863	1,043	2,215	1,597	2,684	1,086	8,203
Exports	938	1,214	271	2,423	2,879	1,707	667	8,417
Re-exports	836	1,085	91	2,012	285	627	81	3,492
1772–74								
Imports	447	795	1,599	2,841	1,829	4,769	1,929	12,753
Exports	646	822	301	1,769	2,211	4,176	717	9,853
Re-exports	1,240	1,766	217	3,223	453	972	63	5,818

[Source] David Ormrod, *The Rise of Commercial Empires: England and the Netherlands in an Age of Mercantilism, 1650–1770*, Cambridge, 2003, p. 354.

Table 3 French imports (1,000 livres)

Year	Cotton	Wool	Silk	Sugar	Coffee
1754	9.0	15.9	23.5	36.9	15.3
1755	11.0	20.5	20.0	35.5	13.7
1766	13.9	16.0	14.5	34.5	11.3
1770	20.0	14.2	6.5	54.8	58.7
1771	13.5	12.4	6.1	53.1	55.1
1772	12.0	16.1	6.5	45.9	42.7
1773	12.5	21.6	13.0	52.5	44.3
1774	15.4	14.1	6.8	68.6	34.3
1775	13.3	14.9	7.1	46.8	32.1
1776	18.5	18.1	12.2	89.4	38.6
1777	18.6	23.4	9.0	108.1	40.7
1778	13.5	17.2	33.5	108.1	26.3
1782	21.0	28.0	25.7	132.3	52.5
1787	42.9	20.9	28.4	71.2	76.7
1788	40.4	17.4	23.2	90.2	93.0

[source] Haruhiko Hattori, *Furansu kindai bouekino seiseito tenkai (Modern French Trade)*, Kyoto, 1992, p. 70.

Furthermore, most people accept that in the seventeenth century Bordeaux traded mainly with Amsterdam, while in the eighteenth century Hamburg became increasingly important.⁶¹⁾

Nevertheless, analysing merchant networks yields a different picture, in which the transition from Amsterdam to Hamburg should not be exaggerated. For example, the De Bary family of Amsterdam underwent a diaspora which saw them move against the expected direction to settle in both Hamburg and Bordeaux. Protestant merchant networks continued to link not only Amsterdam and Bordeaux, but also Hamburg and Bordeaux, despite the edict of Nantes being revoked in 1685.⁶²⁾ Borderless Protestant merchant networks persisted and contributed to economic growth in Northern Europe.

Hamburg was merely a small town in the early modern age. Its population was just 50,000–60,000 in 1680 and grew to 90,000 by 1750.⁶³⁾ However, Hamburg was the third largest port in Europe for trade with the Americas and the Far East, trailing only to Amsterdam and London.⁶⁴⁾ Hamburg was particularly significant for its trade with South America. During ‘the long eighteenth century’, some of Brazil’s sugar, which became more important than gold, was exported to Hamburg.⁶⁵⁾

From the viewpoint of commercial networks in ‘the long eighteenth century’, Amsterdam, London and Hamburg were the three most prominent cities in Northern Europe, or indeed in Europe as a whole. The decline of Amsterdam increased the significance of London and Hamburg. However, the increased significance of London

and Hamburg was made possible partly because of the export of Dutch commercial know-how. As Larry Neal demonstrated, Amsterdam and London became more closely integrated after the South Sea Bubble.⁶⁶⁾ Moreover, the integration between Amsterdam and Hamburg was also reinforced. Amsterdam merchants migrated to Hamburg during times of war, and contributed enormously to the foundation of the Bank of Hamburg.⁶⁷⁾ Furthermore, many Hamburg merchants settled in London,⁶⁸⁾ and Hamburg was called 'the most English city'.⁶⁹⁾

The triangular relationship linking Amsterdam, London and Hamburg became a key foundation of economic growth in Northern Europe. These three cities exchanged information, merchants and money. During 'the long eighteenth century', they carried out a division of labour in commerce and finance. For example, England used Amsterdam banks for remittances to Russia until 1763,⁷⁰⁾ Hamburg banks for remittances to Finland until around 1800,⁷¹⁾ and banks in both Hamburg and Amsterdam for remittances to Sweden during the latter half of the eighteenth century.⁷²⁾ England's banks had limited financial power in 'the long eighteenth century'. With the rise of continental trade (especially with the Atlantic) and the decline in the financial power of Amsterdam, the roles of London and Hamburg grew. The integration of the networks of these three cities enabled the growth of Northern Europe.

Table 4 shows the weight of colonial goods shipped into the Baltic during the eighteenth century. Dutch ships dominated, but Swedish ships became increasingly important as the century wore on. Swedish ships used their neutrality to advantage by carrying commodities for other states during wartime. Numerous colonial goods were imported into the Baltic. The main colonial commodity was sugar,⁷³⁾ which was exported from St. Domingo to Bordeaux and then re-exported to the Baltic or Sweden. Colonial goods were transported not only by the Swedish but also by Flemish and Scottish networks in Europe.⁷⁴⁾

Table 5 shows the volume of imports in the Baltic Sea ports. The total volume of colonial imports increased steeply. Most notable is the increasing volume of imports to the Swedish port of Stettin. This increase resulted from the policy of Frederick the Great of building sugar refineries.⁷⁵⁾ More than 70% of the colonial goods imported by France were re-exported.⁷⁶⁾ France thus exported more colonial goods to Northern Europe than any other country.⁷⁷⁾

Table 4 Weight of colonial goods shipped to the Baltic through the Sound (1,000 pounds)

ships	1710–10	1711–20	1721–30	1731–40	1741–50	1751–60	1761–70
The Netherlands	18,342	28,877	32,776	33,248	29,813	31,415	71,338
England	5762	11,392	16,448	13,559	9609	18935	34,109
Hamburg	37.5	113	1,454	1,073	2,224	3,170	8,792
Sweden*	95	25	11,656	13,792	19,599	19,240	21,782
Denmark	4,004	98	3,234	4,082	3,935	6,771	7,232
Total	30,530	43364	76,143.6	85,559	100,940	128,437	218,185

* mainly Stockholm

[source] Nina Ellinger Bang and Knud Korst (eds.), *Tabeller over Skibsfart og Varetransport gennem Øresund 1661–1783*, Vols. I–II: 3, Copenhagen and Leipzig 1930–1953.

Table 5 The destinations of colonial goods shipped through the Sound (pounds)

Year	Danzig	Sweden*	Stettin	St. Petersburg	Riga
1701–10	14,201,961	2,749,219	92,676	0	1,427,287
1711–20	29,669,704	12,001,932	251,305	1,170,070	2,567,588
1721–30	46,263,537	25,709,187	2,515,918	8,556,402	5,084,161
1731–40	22,268,740	21,062,459	2,203,880	15,068,467	2,516,203
1741–50	45,032,275	47,670,376	5,633,509	28,911,517	4,005,571
1751–60	71,695,483	69,113,422	27,412,922	50,184,048	5,213,505
1761–70	109,636,076	92,656,229	95,571,365	82,483,425	6,879,054

* mainly to Stockholm

[source] N. E. Bang and K. Korst (eds.), *Tabeller over Skibsfart og Varetransport gennem Øresund 1661–1783*, Vols. I–II: 3

We must note the importance of water systems in Northern Europe. Hamburg was situated on the Elbe, Danzig was on the Vistula, Stettin was on the Oder, St. Petersburg was on the Neva, Riga was on the Dvina, and Stockholm used the Mälaren water systems. These cities can be considered ‘gateways’ into Europe for colonial goods (mainly sugar) exported from the New World and Asia—especially the former. Products were transported through these gateways and into their hinterlands via water systems. The extent of the hinterlands varied according to city, but in all cases the water systems assisted in distribution. The development of water systems and their connection with long distance trade is a special characteristic of Northern Europe.⁷⁸⁾

I may be opening myself to criticism for underestimating the role of Asian commodities in the economic growth of Northern Europe. However, Jan de Vries wrote, “with the probable exception of the period 1600–1650 (the ‘crisis of the seventeenth century’), the Atlantic trade grew at over twice the long term rate of Asian trade”.⁷⁹⁾ Thus, we should take care not to be Asia-centric.

Table 6 shows that the increase in Asian exports to Europe via the cape-route during the seventeenth century was impressive, but the volume and value of the overland route remained significant.⁸⁰⁾ Volumes of overland trade during the seventeenth century are extremely difficult to estimate and the tendency is to underestimate them. However, commodities traded overland essentially went to Southern Europe, with the route from Persia to Livonia being one of the main exceptions.⁸¹⁾ Therefore, the influence of the overland trade on Northern Europe was limited.

A simple but crucial fact is that while Asian goods have a long trading history in Europe, New World goods were unknown to Europeans until Columbus. Therefore, commodities from the New World had a much greater impact on European economic growth during the Early Modern period. Since Northern Europe was more closely connected with the New World, these New World goods disproportionately influenced the economies of Northern Europe.

European merchants could not trade without exact information on commodities and prices, and thus commod-

Table 6 Shipping tonnage returned to Europe from Asia by decade

Years	Tonnage	Years	Tonnage
1601–10	58,200	1701–10	150,168
1611–20	79,185	1711–20	198,677
1621–30	75,980	1721–30	348,024
1631–40	68,583	1731–40	367,367
1641–50	112,905	1741–50	340,012
1651–60	121,905	1751–60	417,359
1661–70	121,465	1761–70	433,827
1671–80	125,143	1771–80	461,719
1681–90	172,105	1781–90	501,300
1691–1700	171,540	1791–95	261,804

[source] Jan de Vries, "Connecting Europe and Asia: A Quantitative Analysis of the Cape-Route Trade, 1497–1795", p. 61.

ity price current was very useful for them. However, commodity price current alone did not provide sufficiently precise commodity data. Merchants thus also sent commodity and price information in the form of correspondence. The correspondence included commodity characteristics, qualities, and other important information on the commodities they purchased and sold. This type of correspondence essentially comprised explanatory sheets regarding the traded commodities. Merchant correspondents belonged to *informal* information exchanges, within which exchanges of correspondence stimulated exchanges of commodities. In this respect borderless merchant networks worked very effectively. The authorities supported formal information exchanges or diffusions, while cosmopolitan merchant networks supported informal information exchanges. Both formal and informal information sharing promoted the exchange of precise commodity information and commodity chains especially in Northern Europe.

6. Concluding Remarks

Northern Europe established economies institutionally suited for commercial expansion and economic development. The most important point is that the Northern European economies allowed the rapid flow of precise commodity information, thus reducing transaction costs.

Amsterdam was the most effective centre for bringing together commercial information, intelligence and know-how. From Amsterdam this information diffused elsewhere. According to Clé Lesger, Amsterdam was a centre of information supply,⁸²⁾ where merchants obtained global perspectives and possibilities for lucrative arbitrage between geographically separated markets.⁸³⁾

In 'the long eighteenth century', the importance of Amsterdam as a commercial and information centre declined, and the positions of London and Hamburg rose. However, Amsterdam contributed to the rise of London⁸⁴⁾ and Hamburg because Amsterdamers settled in these cities. The triangle was very significant because the integration

of the three cities promoted the movement of people, information and commodities.

'The long eighteenth century' was also the period of the 'Fiscal-Military State'. This period saw religious oppression force merchants to relocate to foreign lands, facilitating the establishment of a homogeneous commercial society in Northern Europe.

In her paper, Marjolein 't Hart, posed the question; "Why did the Netherlands achieve economic growth during a period of war?"⁸⁵⁾ She argued that wars created institutions in the Netherlands that encouraged economic growth. My paper adopts this theory and expands it to Northern Europe. Before the Vienna Protocol in 1815, Northern Europe successfully created a society suited to economic development because it formed a homogeneous commercial society owing to a war-induced diaspora, and states provided the public goods necessary for commercial prosperity and helped ensure the supply of reliable commercial information via formal media and informal merchant networks. The triangle of Amsterdam, London and Hamburg functioned very well in expanding commerce and finance owing to exchanges of people and information among these three cities.

Notes

* I received Kyoto Sangyo University Research Grants for this study.

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- 7) On this topic, see Toshiaki Tamaki, "From the Mediterranean to the Baltic: a Shift of the Core of the European World Economy about 1600", in The Association for the Balto-Scandinavian Studis (ed.), *Balto Scandia: Some Reports of Balto-Scandinavian Studies in Japan*, Tokyo, 1994, pp. 109–125.
- 8) John Brewer, *The Sinews of Power: War, Money and the English State, 1688–1783*, London; Unwin Hyman, 1989; There are many important articles written by Patrick O'Brien on Fiscal History. As the most important one, see Patrick O'Brien, "The Political Economy of British Taxation, 1660–1815", *Economic History Review*, 2nd ser., 41, 1, 1988, pp. 1–32.
- 9) We must pay attention to the fact that 'Fiscal-Military State' was basically seen in Northern Europe.
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- 11) As a new interpretation on Mercantilism, see Lars Magnusson, *Mercantilism: The Shape of an Economic Language*, London and New York; Routledge, 1994.
- 12) Maarten Prak (ed.), *Early Modern Capitalism: Economic and Social Change in Europe, 1400–1800*, London and New York; Routledge, 2001; Jan Luiten Van Zanden, "Do we need a Theory Merchant Capitalism?", *Review: Fernand Braudel Center*,

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- 13) The reason Physiocrats were very influential in France would be attributed to this fact.
 - 14) Jan Luiten van Zanden, "Economische groei van Holland tussen 1500 en 1800", *NEHA-Bulletin*, 15, 2, 2001, p. 4.
 - 15) In this sense, French trade with the Baltic would be most interesting for us. France was in favourable balance of trade with the Baltic. However, French trade was carried out with the Dutch or English ships. France would lose much money because the French did not trade their own ships. See Pierrick Pourchasse, "Les consulats, un service essentiel pour le monde négociant: une approche comparative entre la France et la Scandinavie", in Jörg Ulbert and Gérard le Bouedec (eds.), *Le fonction consulaire à l'époque Moderne: L'affirmation d'une institution économique (1500–1700)*, Rennes; Rennes University Press, 2006, pp. 191–209.
 - 16) See, Lars, Magnusson, *Nation, State and Industrial Revolution—The Visible Hands*, Oxford and New York; Routledge, 2009.
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 - 21) For example, see Patrick Karl O'Brien and Armand Clesse (eds.), *Two Hegemonies: Britain 1846–1914 and the United States 1941–2001*, Burlington; Ashgate, 2002.
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 - 24) Henriette de Bruyn Kops, *A Spirited Exchange: The Wine Trade between France and the Dutch Republic in its Atlantic Framework, 1600–1650*, Leiden; Brill, 2007, p. 76.
 - 25) Philip Kelsall *Crisis and Change: The Development of Dutch-Danish Maritime Trade, 1639–1755*, Ph. D. Thesis, University Århus, 2007, p. 22.
 - 26) Pierrick Pourchasse, "Problems of French Trade with the North in the eighteenth century", Paper presented to a lecture of Kwansai Gakuin University on 18th May in 2006, pp. 13–14.
 - 27) Arno Herzig (ed.), *Die Juden in Hamburg 1590 bis 1990*, 2 Vols, Hamburg, 1991; On Sephardim, see Hermann Kellenbenz, "Sephardim an der unteren Elbe: Ihre wirtschaftliche und politische Bedeutung von Ende des 16. bis zum Beginn des 18. Jahrhunderts", *Vierteljahrschrift für sozial- und wirtschaftsgeschichte*, Beihefte, No. 40, 1958.
 - 28) W. Brulez, "De Diaspora der Antwerpse koopkui op het einde van de 16e eeuw", *Bijdragen voor de Geschiedenis der Nederlanden*, 15, 1960, pp. 279–306. Toshiaki Tamaki, *The Making of Modern Europe (Kindai Yo-roppa no Keisei)*, Osaka; Sogensha, 2012.
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- 35) T. P. Van der Kooy, *Hollands Stapelmarkt en haar verval*, Amsterdam, 1931.
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- 39) Oscar Gelderblom and Joost Jonker, "Completing a Financial Revolution: The Finance of the Dutch East India Trade and the Rise of the Amsterdam Capital Market, 1595–1612", *Journal of Economic History*, 64, 3, 2004, pp. 641–672.
- 40) Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure and Preseverance of the Dutch Economy, 1500–1815*, Cambridge; Cambridge University Press, 1997, p. 386.
- 41) Cf. Maria Bogucka, *Baltic Commerce and Urban Society, 1500–1700*, Aldershot: Ashgate, 2003.
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