

# The Creation of Europe. The Phenomenon of Antiquity.

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Author's version for magazine: for full version see Yegor Gaidar's new book: A LONG TIME

*The phenomenon of antiquity casts a spell. Its history is the focus of attention in the study of pre-capitalist development. Ideas about agrarian civilisations and the turning points in their evolution are drawn from it. Mountains of books are devoted to it. Nonetheless, the world of the ancient Mediterranean was a massive anomaly in the agrarian manity – the city democracy.*

*I consider that the deepest essence of classical civilisation lay in its unique ability to overcome the incompatibility of peasant labour and warfare.*

*In order to protect itself from groups specialising in violence, it is essential for a peasant community to possess the capacity for self-organisation. It must be able to ensure order and self-defence from its own forces. Then and only then does the community itself, on the basis of its needs, determine the resources essential for the fulfilment of these functions.*

*This is not simple but is advantageous. These resources will be manifestly less than the taxes in agrarian monarchies, exacted for the benefit of a ruling group (or, even more, the tribute which it is necessary to pay to a succession of brigands). And the chances of stability for such an organisation are greater when the proportion of the community not engaged in agriculture and having skills useful in warfare is greater than is usual for an agrarian community.*

## THE SEA AND THE PEOPLE

The Mediterranean basin is amenable to development: an indented coastline, a multitude of islands, bays and havens protected from the winds (and prying eyes), from which long voyages can be made without losing sight of land[1], and almost no tides. Seafaring in the Mediterranean started very early, at the time of the appearance of Neolithic settlements in Crete and in Cyprus (the cult of Aphrodite probably arose among coastal inhabitants, already familiar with navigation).

With the technologies of the agrarian era, transport by sea was much more profitable and convenient than by land. In classical times, the cost of transporting a load across the whole Mediterranean Sea from east to west was approximately the same as for the transport of the goods along good Roman roads for 75 miles. Thanks to the low transport costs in the Mediterranean region, a considerable volume of mass consumption goods was drawn into trade turnover[2], in contrast to the land caravan routes, where trade was first and foremost in luxury items. This

trade had little influence on the life of the overwhelming majority of the peasant population.

Fishing, supplementing the resources of food products provided by agriculture and animal husbandry, became widespread in the Mediterranean basin, and was conducive to the development of seafaring.

Here the famous Mediterranean triad arose rather early: over large areas, the production of grain was adjacent to the cultivation of olives and grapes[3]. As can be seen from archaeological excavations, specialisation was already beginning in the Cretan–Mycenaean period, although its full development came later[4]. It has been noted that the northern boundary of the penetration of Greek colonisation in the Mediterranean and the Black Sea regions coincided with the northern boundary of distribution of the olive tree[5]. The different land requirements for the different crop (wheat fields, olive groves and vineyards) stimulated interregional specialisation and the development of trade.

However, the broadening of trade was not an unmixed blessing. After all, the merchant ship of the middle of the second millennium BC in no way differed from a pirate ship[6]. Everywhere, particularly in the Mediterranean, piracy went hand in hand with trade[7].

Because of their small numbers, it is more difficult for sea peoples than for steppe peoples to defeat large agrarian states. For this reason, sea-going nomads used their mobility for raiding and plundering rather than for the subjugation of other peoples and their territory. Piracy, robbery on the high seas, was another matter.

The characteristic feature of piracy is the **decentralisation of force**. What one cannot take, another will, or else another. Stable agriculture in the face of continuous pirate raids is impossible. An illustration of this is Egypt in the times of the invasions for the “sea peoples”. The settled peoples exposed to constant pirate raids paid the sea-going nomads a regular tribute in order to avert their attacks.

A centralised agrarian empire has weak control over its coastal territories[8]. All of these factors were conducive to the formation of a society where the roles of peasant and warrior were not separate, but fused into one. Trade and piracy demanded the co-ordinated actions of the whole community, the skills of co-operation and interchangeability[9].

To the heroes of Homer, piracy was a respected, noble business, and even the suspicion of inability to engage in this was an insult.

For the agrarian states, the specialisation of a small minority in fighting, and the separation of peasant labour from warfare is a natural arrangement, the tendency to which is actually encouraged by the logic of organisation of the production process. However, for the unique world of the Mediterranean, with its mobility, decentralisation of force, and unusually wide distribution of trade, this mode of social organisation turns out to be a dead end.

Around 1400 BC, the supremacy of the Cretan fleet in the Eastern Mediterranean came to an end. From classical Greek literature, it is well known that after this, on the shores of the Aegean Sea, a unique type of social organisation was taking root with the following characteristics: limited stratification, unification of the functions of farmer, soldier, merchant and seafaring brigand, absence of a regulated tax system, and the organisation of communal self-defence.

## THE POLIS

Even in the early archaic period, Greek settlements appear to us as *polis* – city-states. The characteristic features of the *polis* were control over the adjacent territories and the presence of a fortified stronghold (the word “*polis*” itself originally meant “stronghold”)[10].

The Greek *polis* brought together people who:

a) occupied a territory having as its centre a city in which were situated the organs of power, usually concentrated around a fortified stronghold (acropolis); and b) were free to decide the principal questions concerning the organisation of their own lives[11].

As a rule, the settlements were not large. At this time, a polis numbering five thousand inhabitants was considered to be a large community. In the Greek settlements there was stratification, also definable in terms of organisation of warfare.

Homer knew only one form of human community, which he himself called the *polis*[12]. For Homer, “the countryside” with its inhabitants was a synonym for almost primaeval savagery, extreme social disunity. Proper, civilised life, in his view, was possible only in the *polis*. In the *polis*, sovereignty belonged to the people’s assembly, i.e. to the community of full citizens. The *polis* was above all a polity of citizens.

The Greek *polis* arose as a negation of what the Greeks themselves referred to as “oriental despotism”.

## POLIS AND CITY: Divergence of Civilisations

The evolution of classical institutions shows that there was by no means one single route from the primitive social structures of the early Neolithic to the transformation of tributes into taxes, to the diversion into agriculture as the occupation of the main mass of the population, and to specialisation in state administration, namely coercion. However under special conditions an alternative route turns out to be possible: renunciation of the tribute system, the perception of taxes as a sign

of slavery, formation of a society of peasant warriors, stabilisation of *polis* democracy.

**The classical *polis*** made it possible to combine the advantage of nomadic peoples, where every man was a warrior, with the benefits of a civilised, settled state: large economic resources, developed culture, and a high level of organisation, also for warfare. The Greek phalanx and the Roman legions were the best military structures for their time, at least in the Mediterranean region. The majority of the inhabitants of the *polis* were engaged in agriculture. This was characteristic even of Athens, one of the most urbanised centres of antiquity, where the city was merely the centre of a *polis* in which it was possible to organise defence against an enemy.

**In agrarian civilisations**, the cities were the seat of the ruling elite, the centre of a spider's web of force enmeshing the state, without which taxes could not be collected. For the peasants, the city was something inimical, an anomaly, an aberration in the organisation of communal life.

In contrast, in the classical world knit together by trade, the city was an organic and inseparable part of peasant society.

The unusually high level of urbanisation of the classical world, unsurpassed right down to the 17th–18th centuries AD is a generally known fact. Also a fact was the dominating role of agriculture in economic life (although indeed substantially lower than in classical agrarian communities)[13]. In the classical world, the importance of trade was greater, and the population more literate. The alphabetic system of writing, adopted from the Phoenicians, became the precondition for the wide dissemination of literacy.

The most important social demarcation in an agrarian society was the division into *full* citizens, whose only obligation is service, above all military, and citizens *lacking full rights*, and paying direct taxes to the state or *duties* to the ruler.

In the Greek communities of the archaic period, a different principle became firmly established. The members of the community, who were also warriors, jointly took part in military operations and did not pay direct taxes[14]. Before settling on the land, the Indo-Aryans (including also the Greeks) evidently, as we have already seen above, had many centuries' experience of life as nomadic herdsmen. This is borne out even by the fact that in many European languages the words for referring to horses are considerably more similar than the vocabulary relating to settled agriculture. It is difficult to say to what extent the characteristic idea of nomads that **free people don't pay direct taxes** influenced the formation of Greek traditions. However not only the Greeks, but also many other Indo-European peoples, made a close association between tax burden and slavery. When in Rome's declining years they dispersed the Goths over the territory of the empire, the Romans were obliged to exempt them from taxes, because they refused to be treated as slaves.

The development of warfare exerted a direct effect on the form of the polis democracy. The large-scale use of iron weapons, the ending of the age of chariots and the appearance of heavily-armed phalanxes of hoplites[15] all broadened the involvement of warriors in the business of the *polis* and led to the weakening of the aristocracy[16].

The programme of building a fleet, requiring the enlistment of citizens of modest means into naval service, created the precondition for universal suffrage, which of course extended only to free citizens – men.

The financial prosperity of the classical ancient city of Athens was founded on duties on imports and exports through the port of Piraeus and profits from mines. As a temporary and exceptional measure, direct collections from citizens were introduced during wars[17]. Part of the state functions were carried out not for money and not in the form of labour conscription, but as a duty of honour – the liturgy.

## PROPERTY AS AN INSTITUTION

The absence of direct personal and land taxes not only distinguished the classical world from the agrarian states, but also created the precondition for a fundamentally different development of attitudes to property, first and foremost the most important form of property in the agrarian age – land. The property of the peasant in agrarian states was burdened with obligations. In it were intertwined, the right to work the soil and feed oneself from it, and the obligation to support the ruling elite. If there are no direct taxes and other exactions from the peasants, and these are indeed incompatible with the traditions, then simple and understandable attitudes to land are formed. Land belongs to the person who makes use of its fruits. He can deal with it at his discretion: pawn it, sell it, or exchange it. This provided the basis for a specific model of indivisible personal property, not burdened with obligations, and freely traded on the market.

Naturally, the struggle for the distribution of land cannot fail to become acute. And it became the most important part of classical history. The classical tradition steadfastly linked all attempts at land redistribution with the threat of tyranny[18].

The concentration of territorial property, with the ideas characteristic of that time concerning the indignity of paid work, and its incompatibility with the status of a full peasant-warrior member of the community led to various social payments and dispensations. This became a considerable burden for ancient cities. In Athens, more than 20 thousand people, among them more than six thousand judges, were supported on money from taxes and duties.

In **traditional agrarian communities** an administrative ladder inevitably arises (hierarchy of roles in the fulfilment of state functions, redistribution of resources, formation of a tax system). The essence of social differentiation is the division of

society into those who pay taxes and those who do not. Power here is more valuable than wealth.

Under the conditions of the **classical community**, where there is no marked state hierarchy, but the role of trade is substantial, the most important line of social stratification becomes differentiation in terms of property, mainly determined by ownership of land.

However, the more trade develops, the more unevenly the wealth obtained from trade is distributed. The more land ownership becomes concentrated, the fewer peasant-warriors remain in the community and the weaker it becomes. This was one of the pivotal problems in the political history of both ancient Greece and republican Rome.

Linked with the creation of the *polis* is the entrenchment of ideas on the rights of man (of course, as the rights of equal members of the community), on freedom[19], democracy, and personal property. In the *polis*, the citizens were the state[20].

The classical period was a period of exceptional flowering of culture and economics in the history of agrarian societies. It was only by the 12th–13th centuries AD that Western Europe reached the level of antiquity in terms of per capita gross domestic product[21].

The military successes of the Greeks, in opposition to the powerful empire situated close to their territory, established in the Mediterranean world an acceptance of the superiority of democratic regimes, where law rules supreme, officials are elected, and people's assemblies are regularly convened.

## ROME

Roman society arose under conditions different from those found in the classical Greek *polis*. In the history of early Rome, there was no widespread trading and piracy complementing agricultural activity. The Romans considered their ancestors to have been peasants. This was a typical peasant community, at an early stage of stratification: in Roman sources we find references to senators who themselves cultivate their fields. When the Roman State system was taking shape, the Etruscans, Latins and Ligurians constituted the closely linked world of central Italy of 700–600 BC. They were powerfully influenced by contacts with the Greek world[22]. The institutional evolution of city-states here was similar, and Rome was by no means an exception[23]. At the end of the period, the association of Latin peoples passes through two interconnected processes: urbanisation and the creation of a state. The result of these processes was the appearance of the city-state[24].

During its rise, when Rome dominated the Mediterranean, it was not a traditional agrarian despotism, but rather a self-governing *polis*. Here, the most important

principles of organisation of the classical world were consolidated: the *polis* as an association of peasant-warriors who do not pay direct taxes, but carry out military services, and take part in the solution of social problems and legal proceedings.

The unique classical development model engendered by the special conditions of the Mediterranean carried within itself elements of instability, preconditions for an internal crisis. At a low technological level, it is difficult to maintain for centuries the role function of the citizen: peasant, warrior and equal member of the community in one person. This leads to use of slave labour which is exceptionally widespread for agrarian societies.

Even in Athens, one of the key centres of the classical world, modern researchers estimate the number of slaves at approximately one third of the population, whereas the peasants of agrarian empires outnumbered the privileged elite by a factor of approximately ten.

This is why there was inherent in the classical world a feature closely linked with the very nature of its institutions: a rigid difference between slave and free man.

In **traditional agrarian monarchies** there was no gulf in status between these. As a rule, the dependent peasant obliged to pay tribute belonged to the same ethnic group as his lord, and even the ruler himself. The elite also were not free but were obliged to serve their monarch. The highest officials were often called slaves of the king.

In the *polis* **democracy**, in the society of free peasant-warriors, the slave usually belonged to a different ethnic group, and this set him apart from the citizens. Rights and freedoms did not extend to the slave. This was the privilege of members of the community, or, in the broader sense, of kinsmen, not of barbarians.

Aristotle said that the concepts of barbarian and slave were identical in nature. In the system of relationships of a traditional agrarian community, the sale of a peasant was permissible, but, as a rule, together with the land with which his obligations to the lord or to the state were associated. The specific feature of classical slavery was the large-scale sale of slaves without land.

To this day there is debate as to how far the spread of slavery delayed economic development and the introduction of new technologies. Adam Smith considered that the delaying effect of this factor on the development of ancient economies was evident. While wars were short and soldiers could return home in time for the sowing season, it was possible to fulfil the roles of peasant and warrior. But as Greece became richer and her military power increased, the longer and more intense became the wars that she waged. From the time of the Peloponnesian war, a professional army became a necessity.

But professional soldiers have to be paid. In agrarian states the standing army absorbs at least half of state revenues, resources taken from the peasants. The attempt to reconcile the maintenance of professional warriors with the classical principle of managing without direct taxes is one of the most difficult subjects in

Greek history. Athens sought to resolve it by shifting more and more payments onto its allies. They, however, regarded it as a tribute, an attempt to deprive them of their freedom[25].

The numerical strength of any army it can mobilise is limited by a city-state's size. The very nature of the *polis* presupposes direct democracy, and the involvement of citizens in decision-making. In "The Laws", Plato states that the ideal *polis* should contain 5040 full citizens[26]. Aristotle considered that a *polis* with a population of more than 100 thousand is already not a *polis*. In "Politics", he writes that the population and territory of a *polis* must be easily visible.

For a long time, the superiority in warfare which the hoplite phalanx gave the Greeks, and the absence of strong neighbours, compensated for the numerical weakness of the *polis* army. But this could not last for ever. In the days of large navies and armies supported by tributes or plunder, the sovereignty of small city-states becomes impossible.

The result is well known: the formation, first by Macedonia, then by Rome, of large centralised states, which inherited the classical traditions of organised society, including rights and freedoms for citizens.

Communities in Greek, Roman and Italian cities remained as an element of local self-government. And in the times of Hellenism, the overwhelming majority of cities were situated on the coast and were closely associated with trade.

## CITY AND STATE

In the Roman self-image, one of the advantages of their state was the widespread existence of cities, of the urban lifestyle. But above the cities there was now a powerful state, which related to its subjects, to the population of the conquered Neolithic territories, in the same way as a traditional agrarian state to the peasant majority.

Both the Macedonians in the Hellenic states of the Near East, and the Romans who replaced them, preserved unchanged the system of tax administration that had existed for centuries in the agrarian civilisations before their conquest. The Greek and Roman colonies received the rights of self-government and tax immunity, but the main mass of peasant population merely gained new armed rulers.

Nonetheless, the influence of antiquity on the subsequent development of the conquered Near Eastern peoples and their culture was limited. This was due to the fundamental difference between the classical institutions with their freedoms and rights on the one hand, and all the previous experience of the Near Eastern states on the other.

In those days the world in the Near East was clearly divided into two parts. Roman and Hellenic cities, with broad rights of self-government and the classical lifestyle,



existed side by side with villages, all of whose institutions, including those for taxation, were inherited from the Eastern despotisms.

For all the magnificence of the civilisation of the Greek community-*polis*, the sources of its internal instability are evident.

The formation of empires with powerful armies does not remove the fundamental contradiction of antiquity: the difficulty, and sometimes indeed impossibility, of combining the functions of peasant and warrior over a long period. A well-organised volunteer corps of peasant-warriors, having mastered the best technological achievements of its time, could wage successful wars of conquest and even create an empire. But the financial resources essential for the maintenance of a standing army inevitably mean taxation of the whole peasant population.

And after the peak immediately begins the fall. The peasant army was effective under the conditions of short campaigns; it was unsuitable for maintaining the security of a vast empire.

## THE STATE IS THE ARMY

The transition to a professional army had two inevitable consequences. The formation of a principality, in which power belongs to whoever supports or is at least tolerated by the legions; and the downfall of the previous democratic institutions which were no longer equal to the new realities. It undermined the most important principle of classical society, the outcome of the earlier military democracy inherited from hunters and nomadic herdsman – *that freedom presupposes the fulfilment of military duty*.

In republican Rome, as indeed in the Greek *polis*, the import and export duties exacted in the ports were the most important source of revenue reaching the treasury. As Roman conquests spread, these were supplemented by tributes from the populations of the subjugated provinces. Augustus introduced a regulated system for the taxation of his subjects but Roman citizens, as before, were exempted from direct taxes[27].

With the shift to a paid army, military expenditures increased. As in other agrarian states, military expenditures in late republican and imperial Rome invariably accounted for half the budget[28].

For the Romans, for a long time (but not indefinitely) a series of successful wars of conquest removed a fundamental problem of the shift to a standing army – the means of financing it.

## UNPROFITABLE WARS

In the agrarian age it was still not difficult to classify wars as profitable or unprofitable. Where the cost of carrying out military action was greater than the war trophies, tributes and other advantages brought by victory over the enemy, they were unprofitable.

It is obvious that successful wars with rich agricultural states are potentially profitable, while wars with barbarians, nomads and mountain peoples are in principle unprofitable. Little can be taken from them, but because of the mobility of these peoples, even the defence of one's own territories against their raids requires major expenditures. By the 1st century AD, Rome had practically exhausted the potential for profitable wars.

Defence of the empire became a very expensive task, while wars brought ever fewer trophies on which the army could be maintained.

The strength of the Roman army rose from about 300,000 men at the end of the reign of Augustus to 400,000 by the end of the reign of Severus[29]. In the 4th century AD, it had reached 500–600,000[30]. The general obligation to serve could not be enforced.

From 440 AD, concealment of recruits attracted the death penalty. The same fate awaited those who concealed deserters. An indication of the state's concern about the problem of desertion was the introduction of laws for the branding of new soldiers: they were branded on the skin, like slaves.

Here is yet another manifestation of the internal contradiction of an agrarian society. The wealth of an agrarian empire attracts warlike barbarians. They easily imitate arms technology and military organisation. They are poor, but warlike. The empire can withstand their pressure, but pays a high price – a heavier the tax burden. Peasants flee from the land and escape under the protection of influential people capable of defending them from the tax collectors.

From the 2nd–3rd century AD, the population of the western regions of the Roman empire began to decrease[31]. The shift to a standing army deprived free citizens of their democratic right to participate in the resolution of the principal questions of communal life. Now yet another pillar of antiquity crumbled: the exemption from direct taxes. And this is already a sign of slavery[32].

From the time of the wars of Marcus Aurelius, undertaken to repel the attacks of barbarians on the Danube, the financial stress on the empire steadily increased[33]. Attempts were made to decrease it by recourse to the sale of state assets, debasement of coinage, and increases in taxes. One more method by means of which the emperors attempted to finance the growing military expenditures was the mass confiscations[34]. Even so the resources were catastrophically inadequate for an army capable of reliably defending an empire, whose wealth was coveted by less developed peoples. Only one solution beckoned: to abolish the traditional tax privileges for those holding the status of Roman citizen[35].

Which indeed happened in the 3rd century AD. From the year 212 AD, the whole free population of the empire received the status of Roman citizens, at the same time losing their privileges concerning payment of personal tax[36]. Under Diocletian, taxation exceeded the limit beyond which stable financing of an agrarian state is impossible. A classic financial crisis began, connected with excessive taxation and erosion of the revenue basis of the budget.

By the 4th century in Rome, little remained of the traditional classical institutions. Everywhere, personal and land taxes, the mechanism of mutual responsibility characteristic of traditional despotisms, were being introduced. All this extended even to cities that had previously enjoyed the right of self-government and tax immunity.

## METAMORPHOSIS

The decline of the cities and the deurbanisation of the empire began. Under Diocletian it was closer to the traditions of agrarian despotisms[37]. By this time in the Roman Empire a new form of relations between the owners of the land and the farmers was becoming established: the *colonnate*. Originally a colon was any person engaging in agriculture. Later, this word was used to imply a tenant of land. But by the start of the 4th century a *colon* was already a slave bound to the land with the right to have a family and raise children. The institution of demographic reproduction of slaves, which postponed the collapse of the Roman Empire, had been introduced.

The laws of Constantine for the first time in Roman history defined these relations: the law of 332 AD bound the peasant to the land, while the law of 364 AD established the hereditary character of the enslavement. The main motive for the new legislation was to ensure the collection of taxes. From the times of the emperor Severus, municipal magistrates began to bear the responsibility for this.

By the end of the 4th century, events in the Roman empire were developing according to an already familiar scenario: mass flight of peasants from the land, banditry and weakening of the taxation base.

As before, there was insufficient money for supporting the army. More and more often, the legions were brought up to strength with barbarians. St. Ambrose testifies: "Military service is no longer a social duty, but a compulsory obligation, and the only concern now is to avoid it"[38]. Mass desertion set in. As one of the 5th century sources notes, the weight of taxation in latter-day Rome reached such an extreme that the local population joyfully welcomed the barbarians and feared to find themselves under Roman power again.

By its nature, the social organism of the Western Roman Empire *lost the most important characteristics of antiquity*, and in the 3rd–4th centuries transformed itself into an *agrarian state* with high taxes, exacted from the peasant population by a ruling elite. This is the reason for its collapse in the 5th century.

The surviving Eastern Roman Empire had throughout its history maintained the features of an *agrarian state* and had little in common with a unique milieu of free peasants, soldiers and warriors, together deciding communal matters, which had opened the way to the classical phenomenon.

The classical alternative to the traditional agrarian empire greatly broadened the freedom and diversity of historical choice, and the scope for communal initiative. But there was no place for all this in the basic structures of the agrarian world.

The main food provider of the Roman Empire, the Egyptian peasant, was burdened with similar taxation under the Persian king, the Hellenic rulers, and under the rule of Rome. The same applied to the majority of the rural population of the empire. The diversity and freedom engendered by classicism would have made it possible to create a new, stable base for development, had they increased productivity both in agriculture and in other employment spheres unconnected with the production of foodstuffs. But the preconditions did not exist. At that time they had acquired neither sufficient knowledge nor the necessary technology.

The bitter truth is that for the stable functioning of an agrarian society the level of freedom and diversity which was embodied in antiquity was superfluous.

It would take one and a half millennia of gradual development for the preconditions of modern economic growth to appear.

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The main classical legacy handed down to the Germanic tribes that conquered the Western Roman Empire was the cultural tradition of classical antiquity. The socio-economic genotype of the Greek and Roman concepts of an alternative state structure, of different legal relations, harboured within itself the germs of future growth.

And it was precisely this that influenced the development of the Western European states, and inclined them away from the path characteristic of the stable but stagnant agrarian states, allowing mankind to extricate itself from the institutional trap of agrarian civilisation.

The Germanic peoples who were the main threat to Rome in the final centuries of the empire's existence had neither written language nor a developed state system. Nevertheless they exploited the advantages of proximity to the civilised agrarian empire. By their very existence, the Roman frontiers and the legions stationed on them inclined the nomadic peoples to shift towards settled agriculture.

By the 3rd–4th century AD, the Germanic peoples had already long been engaged in an intensive cultural exchange with the Romans. From the time of Diocletian, they comprised a significant part of the Roman forces. Roman arms and the organisation of military operations were well known to them.

From the 3rd century AD, a major part of the aristocracy of the western lands preferred to live in well-fortified castles.

The cities were neglected and fell into decay, and trading declined. The roads built by the Romans went unrepaired and became dangerous. In some places the subjugated population were harshly oppressed by their conquerors, elsewhere they were treated more leniently. But everywhere the most important result of the conquest was the collapse of the centralised Roman taxation system. In some regions of the empire (particularly in Italy) the Germanic tribes tried to retain it, and for this reason actively recruited Romans to participate in administering it. However, all attempts to retain the Roman tax system ended in failure.

But the end of the world, expected by many, did not come. Relieved of the hopeless struggle to defend the immense territory of the empire, the state was no longer decaying. The military structure was simplified, and the shift from standing army to volunteer forces made it possible to decrease both state expenditure and the tax burden. All this happened naturally, not as the result of deliberate reforming activity. Everything was simple: the level of civilisation of the Germanic peoples did not allow them the option of retaining a complex taxation system based on regular exchanges of lists[39].

**The result of the collapse of the Roman taxation system was the prolonged financial and military weakness of those European states formed on the ruins of Rome.**

A consequence of the weakness of state finances is a tendency to feudalism. Suzerains distribute land to their comrades-in-arms before taking it for themselves, as there is nobody to defend it. The royal domain is retained as a territory that the monarch rules directly but he is unable to impose a land tax on subjects living beyond its borders. The custom according to which “the king lives at his own expense” becomes established. If he needs additional resources, he must agree with his subjects as to where to find them. Under the Carolingians, state finances were derived from: revenues from the royal estates, customs duties, the sale of salt, minting of coinage, confiscation of property and the spoils of war.

One further cause of the weakening of the Western European states in the second half of the first millennium AD was the very nature of the dominant strategic threat, against which the main mass of the population had to defend itself.

The dominant threat for the Europe of the 8th–11th centuries was raids by Norsemen who had settled on the shores of the Scandinavian peninsula and the territory of modern Denmark. In lifestyle and stage of development, they resembled the Greeks of the Homeric period; by the standards of agrarian communities the role of settled agriculture in the economy was limited. Both were typical “peoples of the sea”[40]. The Viking raids were, as a rule, decentralised. Their aim was not to conquer and subjugate the agrarian population, but to take plunder. In Western Europe, this called forth an adequate response: decentralisation of defence against the Norsemen took place, the formation of a feudal structure with the knight’s castle as a refuge for peasants living in the vicinity[41].

The heavily-armed cavalry of knights, which became widespread in Europe from the 8th century AD, became the basis for the organisation of warfare. The purchase of armour, weapons, large horses with staying power, the maintenance of knights and their sword-bearers, calls for major resources. This is also conducive to the formation of a decentralised feudal structure, where the warrior-knight and the peasants are bound by quasi-contractual relationships: the peasantry hands over agricultural produce in exchange for protection by the knight. Under these conditions, it is not land overall, but rather land close to the castle, that takes on special value. What is the use of land that cannot be defended? In the 9th century, more than half the land in France, and four-fifths of that in Italy and England, was uncultivated and lying fallow.

By the time of the Germanic conquest, the peasants of the Western Roman Empire, having lost the skills of self-defence, were a natural object for exploitation by the new conquering lords. Once the barbarian tribes were settled on the territory they had conquered, the free peasant cultivating a plot of land or guarding a herd did not as a rule let his weapon out of sight. As before, it was the most important sign of free lineage and full rights[42]. But even the Germanic peoples themselves, once settled on the land, rapidly adopted the characteristics of settled peasants. They divided into a dependent peasant majority not specialising in warfare and a ruling elite. The raids of the Norsemen, increasing the need for defence, merely accelerated this tendency.

The Germanic peoples who settled on the territory of the conquered Roman provinces, at first received the status of peasant-warriors free from taxation, whose obligations comprised only military service[43]. In a letter which king Theodoric of the Ostrogoths sent to the peasants of Sicily, he states that exchanging the sword for the plough dishonours a man[44].

Two centuries sufficed for the instability that results from combining the two functions of peasant and warrior, characteristic of agrarian societies, to become fully apparent.

## SECURITY IN EXCHANGE FOR FREEDOM

In Western Europe, the peasantry everywhere came under the protection of feudal lords, exchanging freedom and land for relative security. Under the threat of the Danish raids at the start of the 11th century, the overwhelming majority of those same Anglo-Saxons, free peasants who had settled on the land in the 8th century, became dependent peasants, included in the “master-servant” system[45]. By the start of the second millennium AD, this transformation of agricultural status was reflected in the ideological formula of the time: “no land without a master”.

A period of stabilisation began. In the 11th–13th centuries, after the cessation of the raids by the Huns and Vikings, the population in Western Europe grew, and per capita GDP increased by approximately 0.1% per annum. Important technological innovations were introduced: the heavy plough, the three-field system, and wind

and water mills. By the 12th–13th centuries, Western Europe reached the per capita GDP level of antiquity in its prime. However in lifestyle terms the Western European agricultural population was closer to the traditional agrarian communities.

## BACKWARD EUROPE

By the start of the second millennium AD, Western Europe lagged behind China in per capita GDP by a factor of about two, in level of urbanisation by a factor of more than three, and in the extent of literacy by a factor of five to seven. This backwardness was reflected in the structure of foreign trade. At that time, Europe exported slaves, silver, furs and timber, while the exports of the East consisted of finished goods[46]. Overall, European development was still entirely consistent with the picture of cyclical changes in a stable agrarian society, where disorganisation and decline alternate with periods of relative calm and increasing prosperity.

Europe was still a traditional agrarian region with the levels of literacy, urbanisation and development of trade characteristic for millennia over the whole Eurasian continent. However, certain features can be seen in its development reflecting its classical inheritance, namely the period of many centuries when institutions existed in the Mediterranean region which were radically different from the agrarian ones. The first of these was the church, an independent instrument of influence over the community, standing alongside the state.

Only the Catholic Church united the barbarian states that arose on the wreckage of the Roman Empire. It preserved the traditions of the developed Roman civilisation, the written language, hierarchical structure and a system for obtaining revenues (the tithe), and this is how it survived. The many centuries of struggle between the secular Western European monarchs and the church for rights and privileges, including the right to appoint bishops, and the rights of monasteries and religious orders to ownership of the lands and wealth, are a most important part of European history.

The quantity of surplus product in agrarian societies is always very limited. It is difficult to squeeze additional resources from the peasant population. When part of the surplus product is appropriated by the feudal knight guaranteeing the peasant protection, and another part by the church, very little is left for the state. The separateness of the church from the state, and its possession of its own revenues (tithes) was one of the main reasons for the prolonged weakness of the European states[47]. The tithe began to be collected in Europe from the 5th century.

In contrast to the state with its apparatus of coercion, the church did not in general have strong mechanisms for extracting resources from the peasants. Its rights were supported by traditions, and by the possibility of applying sanctions to parishioners during the performance of religious ceremonies. Apart from the tithe, a further important source of revenue for the church was property donated or bequeathed to it by the faithful[48]. Hence the interest of the Catholic Church

in the preservation and strengthening of the Roman traditions of full, clearly defined personal property, which is not burdened with tax obligations towards the state. The church became the most important institution making it possible to consolidate classical legal standards in Western Europe[49].

The Germanic peoples, having subjugated the Roman provinces, did not immediately come under the influence of Roman law. In Italy, the land possessions of the new feudal lords rapidly became their personal property, in no way linked with feudal obligations[50]. In France, this same process extended over a long period. In the preservation of Roman law in the Italian city-states, a substantial part was played by the custodians of the classical legal standards, the notaries[51].

## THE FREE CITIES

One further element of the classical inheritance that had a most important influence on the socio-economic evolution of Western Europe was the free cities. The collapse of imperial institutions, chaos and violence in Italy objectively prompted the population to reproduce the *polis* traditions of self-organisation and self-defence.

It was precisely this situation which led to the formation of Venice, the first of the famous large city-states of the post-classical time[52]. The Venetian elite always regarded itself as the natural successor of Rome (and later also of Constantinople). In proclaiming the rights and freedoms belonging to the cities, the Venetians directly appealed to Roman law, and above all to the right of each community to self-government[53]. On a similar model, social institutions began to be formed in Amalfi, Naples, Genoa, Florence and a multitude of other Italian cities. The pre-conditions for such institutional evolution were both the classical inheritance, and the high level of urbanisation of Italy in the late Republican and Empire period.

The majority of the Italian cities in existence at the start of the second millennium dated their history from the foundation of Rome[54]. Thus historical traditions themselves determined the unusually high level of urbanisation for the agrarian world. In Italy, the Lombard aristocracy, like their French counterparts later, more often settled in a city than in fortified castles[55]. In the Italian city-states were revived the traditions, almost forgotten in the latter days of Rome, of *polis* self-organisation and joint defence against external threats, and the manners and customs of free city-dwellers[56].

In Western Europe, there was a widespread traditional rule: whoever has lived in a city for a year and a day becomes a free citizen. Not for nothing did they say in those days “city air makes a man free”[57]. The possibility of escape to a city was one of the factors undermining European serfdom.

In the traditions of Western Europe, the urban lifestyle is associated with the special rights and freedoms which are granted to city-dwellers.



The abrupt decrease in the population of Europe resulting from the series of epidemics in the 14th century radically changed the relationship between the two most important resources of agrarian society, land and workforce. Labour became a deficit resource. There were two alternative responses to this challenge. The first saw the privileged class competing for peasant hands, a transition to more attractive conditions of tenancy, and renunciation of personal dependence. This (despite the vacillations and attempts by the aristocracy to reverse the march of events) was the route taken by Europe west of the Elbe.

## TO THE EAST OF THE ELBE

To the east of the Elbe, the reaction to events was different. Here, the united response of the privileged class to the decrease in the dependent peasant population was forced binding of the latter to the land, ever more severe serfdom, and the conversion of the peasant serfs to a status differing little from the situation of the slaves of antiquity.

Moreover, the Catholic Church here was represented by military orders, capable of exercising massive coercion.

These divergent paths were to exert a fundamental influence on the socio-economic development of the countries lying on different sides of the dividing line. The reasons for such a different course of events to the east and west of the Elbe cannot be explained by ethnic differences[58].

The debate on the reasons for the difference in the situation of the peasants to the west and to the east of the Elbe, starting from the 14th–15th centuries, will continue indefinitely. But in Western Europe, there were cities to which it was possible to flee from an objectionable lord whereas in Eastern Europe there were not.

## CITY AIR GIVES LIBERTY

The city-states adopted the socio-economic genotype of antiquity that they had inherited. Here everything was otherwise than in the still dominant agrarian world of Western Europe. The urban lifestyle itself opened up possibilities for self-organisation and interaction of city-dwellers that were unthinkable in the country[59]. The city walls, in their own way a symbol of that age, made it possible to organise collective defence against brigands, the local lord or an aggressive ruler[60].

At the same time, the proportion of agricultural labour in the activities of the urban population was unusually low by the standards of an agrarian civilisation[61]. The reason for this is obvious. From classical times, the attitude of the Europeans to labour, above all to paid manual labour, had fundamentally changed. In the classical society, labour was closely associated with slavery[62]. Christianity,

the religion of the low status groups of the population, offered a tenet that breaks away from the classical tradition of disdain for physical labour. As it says in the second epistle of Paul to the Thessalonians: ... “if a man will not work, he shall not eat”[63].

There is one further peculiarity of the Western European city. In the *polis* there was always the temptation to use one’s military organisation against neighbours. Under the conditions of Western Europe in the Middle Ages, the best fighting structure was the heavily armoured cavalry of knights. But it was not easy for the city-states to produce this. Even the relationships between the aristocratic cavalry and the common foot-soldiers presented the city self-government with innumerable problems. It was not unusual for uprisings by the commoners to lead to the flight of the knights from cities. Then the need arose for additional expenditure to maintain hired mercenaries. This also explains, to use modern terminology, the defensive nature of the military doctrines to which the majority of city-states in the post-classical period adhered.

On the other hand, peaceful occupations, among them trades and commerce, were regarded with especial respect here. As a result, they developed rapidly; after all the majority of the urban population were craftsmen and traders.

Under the conditions of an agrarian society, the economy of the cities is inevitably oriented towards the market. Whereas the Western European village at the start of the second millennium was the world of the natural economy, where most of the produce cultivated was used in the family, the urban world was already advancing towards market production. The widespread existence of city-states with their commercial specialisation and all the realities of the Mediterranean region furthered the unusually wide, by the standards of traditional agrarian societies, development of trade in large-volume goods in Europe: grain, fish, wool, metals and timber.

This radically changed the balance of stimuli for the creation and application of technological innovations. In the traditional village, there are no innovations that could increase production efficiency, because they lead inevitably to an increase in taxes. If they appear, innovations progress extremely slowly. By contrast, in the European city of the start of the second millennium, new technologies, improved quality, lower production costs, more effective forms of trading, and the use of new commercial and financial instruments rapidly yielded additional profit. Not only that, but rejection of innovations inevitably led to loss of market position and the ability to continue one’s business, and sometimes even to ruin. In the stagnant agrarian world, the commercial city became the focus for the dissemination of everything new[64].

The city-states, where traders were characteristically given a major role in government, were the most important centre for the creation of modern commercial law and justice appropriate to the conditions of developed commerce. Only from the mid-18th century did the royal courts of England reach a level of competence that allowed them to understand complex questions of commercial and financial activity[65] and reach well-founded verdicts on them.

The progress of the commercial cities was furthered by a new taxation structure. It was here that the tax systems which (with certain changes) have passed into the world of modern economic growth were conceived. They were shaped not by the elites of agrarian societies, specialising in coercion, but by the city-dwellers themselves, who were united in more or less democratic communities of taxpayers. As a rule, the commercial city-states received the predominant part of their revenues from indirect taxes, often from customs duties. Direct taxes were not widespread and, according to the classical tradition, were normally only introduced in exceptional situations[66].

Sometimes the tax burden became onerous to the city-dwellers; cases of mass refusal to pay taxes are on record. However, in the cities there were as a rule neither collectors of direct taxes, nor that mutual responsibility that in agrarian societies always limited the stimulus to effective innovation.

What also distinguished the European city-states at the start of the second millennium was a level of education that was unusually high by the standards of agrarian societies. For example, in Florence approximately half of the adult male population in the 14th century were literate. In Italian cities, teachers and students were not uncommonly exempted from military service, while in Modena anyone who studied in that city received his citizenship. By the 13th century, many cities had created municipal schools with teaching in Latin, the teachers' salaries being paid by the municipality[67].

The social experience of the city-states of Italy, their formation and life were widely adopted in Europe, and not only in Western Europe.

The city-state of the start of the second millennium was close to the European standards of the start of the 19th century[68]. In it the city population was dominant, the majority being engaged in the services sector, and market-oriented production, and the laws of property were clearly defined. The main role in the government of the city-states belonged as a rule to the commercial class. For this reason, all institutions and legal standards were directed towards the support of commerce, the defence of property and the fulfilment of contracts[69]. Paid labour was widespread, and tax obligations clearly defined; these were principally indirect taxes, and a taxpayers' democracy was in operation.

The experience of the city-states, at that time manifest leaders of Western European economic development, and the centres of large-scale international trade, exerted an influence on the politics and institutional development of the agrarian states.

However, the city-states themselves were living surrounded by the world of traditional agrarian Europe.

Their development was influenced by European society and its ideological evolution. At the start of the second millennium, concepts of the ideal society as a stratified society, where aristocracy and common people are divided from one another, and social inequality is passed down by inheritance, were dominant. In this

there is a radical difference from the period of classical antiquity. From one side, mediaeval tradition assumed a clear distance between aristocracy (knights) and the common people, while from the other, the very organisation of the city-state, analogous to the classical *polis*, demanded the solidarity of the citizens, that they acknowledged themselves to be members of a community which had common interests, and which decided questions of its own organisation “all together”. In the city-states, this contradiction gave rise to a series of internal disturbances and disorders, conflict between the elite and the common people, which was not uncommonly portrayed as a confrontation of mounted knights and foot soldiers.

As in the history of the classical *polis*, the key role in the crisis of the mediaeval city-states was played not by internal conflicts, but by the limited scale of the military resources which a society of city-dwellers is able to mobilise. In actual fact, the population of even the largest Western European city-state, Venice, this little empire, did not exceed one and a half million. Other cities had far fewer inhabitants.

While the city-states bordered on the weak Western European states of the early Middle Ages, they could maintain independence. But with the growing strength of their neighbours and the growth in size of their armies this became impossible.

## THE SINGLE SPHERE OF EUROPE

The long coexistence of a large number of states that were independent, but united by the catholic religion, was an inducement to institutional conflict, the borrowing from one another of institutions which are conducive to the maintenance of defence capability or, amounting to the same thing, the capacity to mobilise the financial resources essential for an army[70].

In spite of the variegated political map, Europe remained a single cultural sphere, in which socio-economic innovations having a military effect became widely disseminated in the course of one or two generations.

The rise of Europe may be explained by the unique combination of a specific classical inheritance, and prolonged, if you like anomalous, development disrupting the logic of organisation of agrarian civilisations.

The weakness of the finances of the Western European city-states, connected with the independence of the Catholic Church, and with the deeply ingrained notion that free people do not pay taxes, while the king must live at his own expense, was the characteristic feature of the European early Middle Age. As a rule, the king was merely the first among knights, who were by tradition obliged to complete forty days of military service per year, but were not bound by any kind of financial obligations. The king was provided with resources by his own demesne. But this decreased steadily, because custom directed the monarch to distribute land to his associates for their services. Correspondingly, the revenues coming from the demesne also decreased. Such a system of social organisation could function sat-

isfactorily while the main threat remained the Viking raids; there were no strong and aggressive states in Europe, and the heavily armoured cavalry of knights remained the most effective instrument of force.

The defeat of the French cavalry in the Hundred Years War demonstrated to the European states the need for serious changes in warfare. The need of the time was for professional contract armies made up of mercenaries and financed from the central government budget. But for a weak state, poorly provided with finances, where the king lived at his own expense, it was incredibly complicated to fulfil this demand.

By the 11th–14th centuries, when the need to create and maintain standing armies became obvious, the tradition of regular centralised taxes of Roman times had been entirely lost in Western Europe, but the classical principle that “a free man does not pay taxes” remained unquestioned. And only those Western European states which were able to adapt to the changed conditions and instruments for organising their forces retained the capacity to survive as independent powers.

## THE HISTORY OF TAXATION

Overall, the tax history of Western Europe in the 11th–13th centuries marks an upward trend from the loosely structured feudal state with modest financial resources and no regular taxes (apart from the obligations to feudal lords or the king) to the state with a developed taxation system, regular taxes and a standing army.

The national elites in the different countries solved this problem by various means. At the time of the Norman Conquest, there was no standing army in England, and a feudal volunteer force fought the Normans. In the 12th–13th centuries, there was a sharp rise in the demand for resources to fund the army. These were drawn from various sources. From the 13th century, it was possible to replace knightly service with monetary payments, in other words to buy oneself out. Confiscations of property became ever more widespread but this did not meet the need for military finance. The problem could be solved by introducing direct national taxes, levied according the traditional model for agrarian states: personal and land taxes. With time, people became accustomed to the idea of direct taxes and the state institutions of Western Europe in the field of taxation approximated more and more closely to those traditional for agrarian empires.

The States General in France were not yet meeting, and the Cortes in Spain transferred the right to collect taxes to the Crown. The French kings, starting with Charles VII, exploiting the chaos caused by the Hundred Years War and the temporary permission granted by the States General in 1315, introduced emergency direct taxes at their own discretion, without the permission of parliament. By the end of the 15th century, direct taxation from the unprivileged peasant population made up 85% of the revenues of the French treasury. The French taxation system

of the 18th century described by Adam Smith was in essence already no different from the taxation systems that had existed in agrarian states for millennia.

However, the evolution of financial systems in Western European countries also proceeded by another route, based on the experience of the city-states. In 15th century Venice, with its specialisation in commerce, trade and manufacturing and its democracy of taxpayers, the state revenues were equal to, or exceeded, the revenues of any of the Western European agrarian states[71]. It is more difficult to apply taxes to commerce, trade and manufacturing on the basis of the standard procedures of an agrarian state than to apply them to agriculture. The fundamentally important factor here was the co-operation of the potential taxpayers with the state.

The city-states became models for imitation, both for the cities forming part of the agrarian empires, and the elite of these empires.

The cities insisted that their liberties should constantly increase (and in no case decrease), and took away one right after another from their lords. During the first 50 years of its existence, Lübeck was under the rule of six different lords. During the change to each new lord, the city secured the right to maintain its old freedoms, or, if the course of events was favourable, received new rights[72].

From the 13th century onward, knights' military service was increasingly replaced by monetary payments. In England, the period of rapid foundation of cities enjoying immunity and privileges took place in the 11th–13th centuries and was clearly connected with the growing financial problems of the English crown. In England and France, there were more and more self-governing cities, which bought themselves freedom for the price of an agreement with the state. These cities had no political independence; they were part of the agrarian state but played a special role within it[73].

## THE BRITISH ROUTE

The rights of the English cities were inseparably linked with the buying-off of taxes, with temporary rights gradually becoming permanent. In 1265, their representatives were for the first time invited to take part in the sittings of parliament. After 1297, they became permanent members of the parliament[74]. The city inhabitants were exempted from the jurisdiction of the county courts, and all disputes, except for crown actions, were dealt with by their own courts. In their internal organisation, the English cities were similar to independent city-states of the Northern Italian model.

Such a development in the tax system on the one hand makes it possible to build a state revenue base, including revenues from trades, manufacturing and commerce, and on the other hand does not destroy the incentives towards increased productivity. Just as before, the widespread involvement of the city-dwellers in commerce and the production of goods also encourages the utilisation of innova-

tions. The self-organisation of the taxpayers offers the possibility of channelling part of the growing revenues from the division of labour and the development of commerce to the needs of the state. In Holland and England, voluntary payments by taxpayers became an important source of growth in state revenues.

The establishment of tax privileges and the consolidation of standards according to which the king does not have the right to introduce new taxes without the agreement of a representative body of taxpayers, occurred gradually in England. Initially, the government denounced the ancient practice of arbitrary taxation, and the kings promised to refrain from this[75].

The “Magna Carta” or “Great Charter of Freedoms” of 1215, the “Oxford Statutes” of 1258, and the Marlborough Statutes of 1266 were all stages in a process unusual for Western Europe. The Roman pope denounced the “Magna Carta” as an act flying in the face of standards and traditions.

The “Magna Carta” was in itself still a feudal document, reflecting the balance of forces between the English kings and the barons, and consolidating a range of rights and privileges of the latter. However, the long-term consequences of its signature went beyond the bounds of the relationships characteristic of a traditional agrarian society. The consolidation of the principle according to which taxes may not be levied without a meeting of the representative body (although its structure is not well specified in the Charter), became a most important step on the path to the formation of a *democracy of taxpayers*.

The transition from the general declaration of the principle to its actual embodiment in socio-economic and political practice in fact took centuries.

## THE DEMOCRACY OF TAXPAYERS

The fundamental principle of the traditional agrarian society was that the ruling elite tried to take the maximum possible from the main mass of the peasant population. The principle of the classical *polis* was: free citizens do not pay direct taxes.

However, in the most developed states of Western Europe a new principle handed down to them by the Italian city-states took root: *a free man does not pay taxes in the introduction of which he himself or his representatives took no part*.

The revolution in warfare associated with firearms changed the traditional imbalance in agrarian societies between economic power and the ability to organise the use of force. For the two and a half millennia separating the years 1000 BC and 1500 AD, the financial resources of settled agrarian states (and the military technologies which it was possible to buy for that money) were insufficient to defend them reliably against the threat of the nomads.

## THE PURSE IS MIGHTIER THAN THE SWORD

From then on, the technological advantages of the settled states, which have economic and financial resources available, changed the balance of forces. The power of the economy and finances, and the ability to maintain a standing army and pay the costs for its weaponry are the most important factors for success in armed conflict.

The Spanish infantry of the 16th century was by general admission the best in Europe. Nonetheless, the chronic overtaxation of the Spanish peasants, leading to erosion of the taxation base and financial crisis (expenditures on the army were several times higher than the Spanish budget revenues) rendered the defeat of Spain in the struggle for hegemony in Europe inevitable. At that time it became clear that financial means were indeed the key precondition for military victories.

## THE DUTCH PHENOMENON

By its nature and history, Holland was a country of city-states[76]. In essence it was a league of these, similar to the Hanseatic but, unlike the latter, territorially integrated. In 1477 after the death of Charles the Brave of Burgundy in battle at Nancy, they secured the agreement of the Burgundian rulers to the granting to them of Great Privileges: the right of the States-General of the Burgundian Netherlands to meet at their own initiative and independently resolve questions relating to taxation[77].

The victory of a confederation of city-states with all their characteristic institutions over the greatest European power, Spain, was an illustration of the superiority of taxation based on the principles of the democracy of taxpayers[78].

Having won independence from the Spanish crown, the Dutch cities rejected categorically the idea that a national ruler could arrive in place of the Spanish sovereign. Pierre de la Court and John de Witt in their well-known treatise wrote: "We have a constant cause to pray that the Lord spare Holland from the horror of monarchy"[79]. The Declaration of the States-General on 26 July 1581 is one of the most striking manifestos consolidating the rights and freedoms of the population of a league of cities against the tyranny of kings.

The experience of the political organisation of the Dutch institutions, providing guarantees of the rights of property and person, exerted a serious influence on the political development of England, the first large state in Europe with parliament in a dominant role, while not being a league of city-states.

T. Hobbes, analysing the causes of the Civil War in England, wrote: "London and the other commercial cities were delighted at the prosperity of the Netherlands, which they had attained after the overthrow of their monarch, the king of Spain, and were convinced that similar changes in the system of government would allow them too to attain the same prosperity"[80]. The conviction spread that a repre-



sentative body in one form or another should discuss not only the need for emergency taxation, but also the advisability of the expenditures, in particular military, to which these taxes would be directed[81].

The struggle against royal coercion lies at the root of the conflict between the English crown and parliament, which led to the English revolution of the 17th century. After the stormy events accompanying it, the standards of the inviolability of the person and personal property, the impossibility of arbitrary confiscations, a system for the determination of the budget revenues and expenditures by representatives of the taxpayers, and finally the whole taxation system, took permanent root in the country, as previously in Holland.

The invitation to William of Orange, the protector of Holland, to become king of England was merely a characteristic sign of the influence of Dutch institutions on the political development of England. It was difficult to imagine another European ruler for whom the signature of the Bill of Rights (1689), transferring control over taxation, the legal system and the armed forces to parliament, would have been so natural and consistent with his ideas concerning the reasonable structure of the state[82].

After the “Glorious Revolution” of 1688, the development of England was under the clear influence of the Dutch institutions. The most prominent economist of that time, W. Petty, in his *Political Arithmetick*, written in 1676 and published in 1690, draws attention to the Dutch experience as a model for imitation: a small country can compete in wealth and power with states which have a much larger population and more extensive territory. H. King in his study of 1696 noted that the tax receipts per head of population in Holland were 2.5 times higher than those in England and France[83].

The wars of the 18th century demonstrated the potential of the English finances, which allowed a country with a population half that of France to mobilise revenues on a scale no less than the French, and to borrow money at a lower rate of interest. The advantages of the English taxation system compared to the French, which traditionally for an agrarian society was based on direct taxes on land and on people, became obvious. The connection between the events of 1688–1689, the stabilisation of the political regime, the establishment of the democracy of taxpayers, the organisation of the rights of property, and guarantees of personal rights, and the economic growth, and rise in the financial and military power of England was an obvious fact for Western European contemporaries[84].

Of course, this does not mean that the forcible removal of property had become impossible. The formation of the institutions of English society of the 18th century was inseparable from enclosure, the redistribution of land property, which was not legally formalised, to the advantage of the land-owning elite. But all this took place within the confines of parliamentary procedure.

## THE THREAT FROM ONE'S OWN ARMY

In the history of the early European democracies, the risk always remained that the regular mercenary army, relying on its own potential for coercion, would hold the taxpayers to its own rules of play. At the time of the English revolution, it was possible neither to dismiss the army nor to pay it adequately. This prompted a watchful attitude by society towards the regular army, and forced it in matters of state security to rely on the navy, which did not involve itself in domestic politics. The creators of the American constitution were also concerned by the threat to the proclaimed freedoms from the side of the regular army, which could have conducted itself like the elite of the old regime which never stopped at the use of force. Recurrent reversions to the practice of the agrarian states, where a minority specialising in coercion dictates its rules of play to the majority, are also encountered in the age of modern economic growth, even in industrial, urbanised societies. But this is the exception, and the democracy of taxpayers is becoming the rule.

In the twilight of the old order in Europe, two interrelated problems arose, the resolution of which to a large extent determined the path of Western European development in the 18th and 19th centuries. These were the fate of the elite of the agrarian society as it passed into history, and **land ownership**.

## THE LAND QUESTION

The deep permeation of market attitudes into the agrarian economy, the orientation of agriculture towards the market, the increase in the scale of land turnover, all of this required a clear and unambiguous answer to the question of **who owns the land** and presupposed a return to the standards of classical law with its characteristic concepts of clearly defined personal ownership.

And so, *to whom does the land belong*, to the masters or to the peasants. This was the key question in the closing days of the European agrarian economy[85]. Sometimes it was decided in favour of the ruling elite, which gradually changed from a class specialising in coercion into a stratum of landowners and entrepreneurs, either independently organising market-oriented agriculture, or renting out the land. This was the course of events in England.

In other cases, the rights of the privileged class were abolished, and the land became entirely peasant property. The laws in England in the period of the enclosures, unconfirmed by documents, operated to the advantage of the privileged class, and in revolutionary France to the advantage of the peasants. However, in both cases the social conflict found its resolution in clearly defined documented rights to land.

The Western Europe of the 18th century was still an agrarian society[86]. Admittedly there was already a higher level of urbanisation here than before, literacy was more widespread, and a significant part of the population were employed outside agriculture. But above all a new and distinctive range of institu-

tions was taking shape here. An ever greater proportion of production was oriented not towards natural consumption, but towards the market; the rights of ownership were clearly defined, tax obligations were fixed and determined in accordance with standards which were established by the taxpayers themselves, and paid labour was widespread.

By the end of the 18th century, paid labour predominated in England in both town and country. In contrast to traditional agrarian societies, the new institutional environment that had originated in England and Holland firmly encouraged the creation and introduction of the most effective technologies[87]. Rejecting these would lead before long to bankruptcy and the loss of one's business; if they were adopted they would yield benefits which would not be confiscated at anyone's behest.

In the mid-16th century, the extent of literacy in England was already qualitatively different from the level existing a hundred years before. This bears witness to the profound changes maturing in the whole socio-economic system[88]. Similar processes also began in continental Europe in the following century. In documents reflecting the situation in Languedoc in the 16th–17th centuries, it is possible to find evidence that the level of complete illiteracy in the upper stratum of the peasant population decreased from 1/2–1/3 in 1570–1625 to 10–20 % in 1660–1670. From 1670 to 1770, this proportion fell to practically zero[89].

A characteristic feature of the period was the massive demand for innovation in the dominant branch of the economy, namely agriculture.

In its level of development, Europe had not yet moved far ahead of other Eurasian civilisations. Even in the mid-18th century, half of all books in the world were printed in the Chinese language. But the new institutions that had formed by this time, linked both with the classical inheritance and with subsequent Western European development, opened the way to a radical acceleration of economic growth rates. This way was not direct nor was it swift.

Even in the most developed countries of Western Europe, which had come right to the threshold of modern economic growth, the land-owners were still trying to gain advantages from the use of the new agricultural technology. This retarded the increase in agricultural efficiency. However, with clearly defined laws of property and properly regulated taxes this had far less effect on the development of the community and the economy than in traditional agrarian states.

There arose a structure differing fundamentally from the agrarian communities, which was named "capitalism".

Capitalism gradually took shape in the city-states, in communities with local self-government, and for a time it coexisted with natural agriculture, but step by step it transformed the institutions of an agrarian society and created the launch platform for modern economic growth. The very fact of its starting in part of Western Europe gave rise to the possibility of evolution according to a similar scenario for other countries which had not yet taken the path of institutional changes.

Competition by the European states in the military field encouraged them to adopt the institutional innovations which enabled them to increase the financial resources of the state. Among these innovations, the most effective turned out to be the *democracy of taxpayers*, their involvement in the gathering of taxes and the organisation of state finances.

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[1] See: Weber M. *General Economic History*. New Brunswick (U.S.A.) and London (U.K.): Transaction Publishers, 1995, p.56.

[2] Hopkins notes that the volume of trade in the Mediterranean region between the 2nd century BC and the 2nd century AD was not surpassed for the next thousand years. In the period 400–650 AD, it amounted to approximately one fifth of the trade volume of the Roman period. See: Hopkins K. *Taxes and Trade in the Roman Empire 200 B.C. 400 A.D.* // *Journal of Roman Studies*, Vol. LXX, 1980, p.101–106.

[3] On the Mediterranean triad, see: Renfrew C. *Before Civilisation. The Radiocarbon Revolution and Prehistoric Europe*. London: Penguin Books, 1990, p.229. On the connection between its emergence and the specific climatic conditions of Greece, see: Sealey R. *A History of the Greek City States ca. 700–338 B.C.* Berkeley, Los Angeles – London: University of California Press, 1976, p.11, 27.

[4] See: Runnels C., Murray P. *Greece before History: An Archaeological Companion and Guide*. Stanford, Calif.: Stanford University Press, 2001, p.88.

[5] Davies J.K. *Democracy and Classical Greece*. Sussex: The Harvester Press; New Jersey: Humanities Press, 1978, p.29.

[6] “Maritime trade everywhere was originally inseparable from piracy; the warship, pirate ship and merchant ship were initially indistinguishable from one another.” See: Weber M. *General Economic History*. New Brunswick and London: Transaction Publishers, 1995, p.202. By the word “seafaring”, Aristotle meant fishery and piracy, which had to serve as the source of subsistence. The Greeks normally used the word “pirates” for men who set out on long voyages in search of adventure and plunder; these voyages most often turned into the pillaging of a foreign shore. Later, the word “pirates” came into the languages of all peoples inhabiting the coastal regions.

[7] On the unity of trade and piracy in early Greece, see Starr C.G. *The Economic and Social Growth of Early Greece 800–500 B.C.* New York: Oxford University Press, 1977, p.51.

[8] Xenophon noted that the “masters of the sea” can do what is only sometimes achieved by the “masters of the land”: ravage the lands of those stronger than themselves; approach places where there are no enemies, or they are few, in ships and depart at once by sea if they appear. See: Aristotle. *Politics. The polity of Athens*. Moscow: Mysl', 1997.

[9] Lindsay J. *The Normans and Their World*. London: Hart-Davies and MacGibbon, 1974.

[10] Sealey R. *A History of the Greek City States ca. 700–338 B.C.* Berkeley–Los Angeles–London: University of California Press, 1976, p.19.

[11] Jeffery L.H. *Archaic Greece. The City-States C. 700–500. B.C.* London: Methuen & Co. Ltd., 1978, p.39.

[12] Meyer E. *Geschichte des Altertums*. Bd. 2. Stuttgart, 1893, p.335.

[13] Historical statistics do not yield reliable sources enabling us precisely to estimate the proportion of the population of the Greek world that was associated with agriculture. The majority of specialists presume that it constituted not less than 80%. See: Starr C.G. *The Economic and Social Growth of Early Greece 800–500 B.C.* New York: Oxford University Press, 1977, p.41. According to the estimates of R. Goldsmith, 75–80% of the workforce of the Roman Empire was engaged in agriculture. He also estimates the proportion of the urban population of the Roman Empire at 10% – a high figure for an agrarian society. See: Goldsmith R.W. *An Estimate of the Size and Structure of the National Product of the Early Roman Empire*. // *Income and Wealth*, Series 30. # 3. September 1984, p.282, 283.

- [14] In Athens, direct taxes were paid only by prostitutes and foreigners. Jones A.H.M. *The Roman Economy. Studies in Ancient Economy and Administrative History*. Oxford: Basil Blackwell, 1974, p.153, 155, 156.
- [15] The emergence of the phalanx is usually dated to the mid-8th century BC.
- [16] См.: North D.C. *Structure and Change in Economic History*. New York – London: W.W. Norton & Company, 1981, p.30. On the role of the phalanx in the development of polis democracy, see: Detienne M. *La phalange: problèmes et controversies. Problèmes de la guerre en Grèce ancienne*, 1968, p.138; Starr C.G. *The Economic and Social Growth of Early Greece 800–500 B.C.* New York: Oxford University Press, 1977, p.33.
- [17] Under exceptional conditions, a 1–2 % tax, which it was forbidden to sell to tax-farmers, was applied on property. See: Jones A.H.M. *The Roman Economy. Studies in Ancient Economic and Administrative History*. Oxford: Basil Blackwell, 1974, p.161.
- [18] The threat of unrest under the banner of debt forgiveness and land redistribution is a constant theme of Greek history. In 335 BC, the Corinth league was formed for defence against such disturbances. At that same time, the oath of the citizens of the city of Itan on Crete included a formula which prohibited such revolts. See: Rostovtzeff M. *The Social & Economic History of the Roman Empire*. Oxford: Clarendon Press, 1926, p.2.
- [19] In Eastern languages it is difficult to find analogues of the word “freedom” in its Greek sense.
- [20] Morris I. *Burial and Ancient Society: The Rise of the Greek City-State*. Cambridge: Cambridge University Press, 1987.
- [21] The volume of sea trade in the Mediterranean in the 2nd century AD was only reached in the middle of the second millennium AD.
- [22] On the influence of Greece on the evolution of Roman institutions see: Heurgon J. *The Rise of Rome to 264 BC*. London: B.T. Batsford Ltd., 1973, p.43, 75–98; Frank T. (ed.) *An Economic Survey of Ancient Rome*. Baltimore: The Johns Hopkins Press, 1933, p.3; Walbank F.W. *The Hellenistic World*. Sussex: The Harvester Press; New Jersey: Humanities Press, 1981, p.228.
- [23] Bloch R. *The Origins of Rome*. New York: Frederick A. Praeger, Publishers, 1960, p.15.
- [24] Cornell T.J. *The City-States in Latium* / M.H. Hansen (ed.). *A Comparative Study of Thirty City-State Cultures*. Copenhagen: The Royal Danish Academy of Sciences and Letters, 2000, p.211.
- [25] Bullock C.J. *Politics, Finance, and Consequences*. Cambridge Massachusetts: Harvard University Press, 1939, p.111.
- [26] Plato. *The State. The Laws. Politics*.
- [27] Jones A.H.M. *The Roman Economy. Studies in Ancient Economic and Administrative History*. Oxford: Basil Blackwell, 1974, p.164.
- [28] Johnson A.C. *Egypt and the Roman Empire*. Ann Arbor: University of Michigan, 1951, p.48; Hopkins K. *Taxes and Trade in the Roman Empire* // *Journal of Roman Studies*. Vol. LXX. 1980, p.116, 117.
- [29] McMullen R. *How big was the Roman Imperial Army?* // *Klio. Beitrage zur Alten Geschichte*. Heft 2, Band 62, 1980, p.451–460.
- [30] Grant M. *The downfall of the Roman Empire*. Moscow: Terra Book club, 1998.
- [31] Russel J.C. *The Control of Late Ancient and Medieval Population*. Philadelphia: The American Philosophical Society, 1985, p.222.
- [32] “From the 2nd century, the army could not be increased to the necessary size, since agriculture could not support it. The situation in the villages had worsened because of high taxes and exactions, and in fact the tax burden was exorbitant because of excessively high military expenditures. A vicious circle had been created, no exit from which was possible in the context of the classical world”. See: Finley M.I. *The Ancient Economy*. London: Penguin Books, 1992, p.176.

- [33] Marcus Aurelius: "All that you receive above your regular salary has to be paid for with the blood of your parents and relatives". See: Rostovtzeff M. *The Social and Economic History of the Roman Empire*. Oxford: Clarendon Press, 1926, p.326.
- [34] On the confiscations under Commodus and Severus see: Rostovtzeff M. *The Social and Economic History of the Roman Empire*. Oxford: Clarendon Press, 1926, p.272–274; Garnsey P., Saller R. *The Roman Empire. Economy, Society and Culture*. London: Gerald Duckworth & Co. Ltd, 1987, p.94.
- [35] Admonishing his sons, the emperor Severus said: "Stay together, pay the soldiers well and forget the rest". See: Rostovtzeff M. *The Social and Economic History of the Roman Empire*. Oxford: Clarendon Press, 1926, p.354.
- [36] "The state no longer allows the peasants to vote, it does not need them as it needs soldiers, but it does need their money". See: Finley M.I. *Ancient Slavery and Modern Ideology*. London: Penguin Books, 1992, p.145.
- [37] Diocletian introduced the custom of genuflexion before the emperor.
- [38] Bernardi A. *The Economic Problems of the Rome Empire at the Time of Decline* / Cipolla C.M. (ed.). *The Economic Decline of Empires*. London: Methuen & Co. Ltd., 1970, p.71.
- [39] The failure of the Germanic peoples in what the Mongol conquerors managed in China remains the subject of controversy in economic history. Possibly this was an effect of the traditions of the Indo-Aryans, among whom the taxation of free people was always considered unacceptable. Bishop Gregory of Tours, living in the 6th century, cites an episode characterising the attitude of the Germanic kings to the Roman taxation system. King Hilperik's children fell ill, and the queen, considering disease to be vengeance of the gods, implored her husband "to burn the accursed tax books" in the hope that this might lift the divine curse. See: Tierney B., Painter S. *Western Europe in the Middle Ages*. New York: Knopf, 1970, p.73; *Cambridge Medieval History*. Vol. III. *Germany and the Western Empire*/ (eds.) Gwatkin H. M., Whitney J.P., Tanner J. R. New York: Macmillan, 1913, p.140.
- [40] On the economic activity and way of life of the Vikings, see: Gurevich A. Ya. *The free peasantry of feudal Norway*. Moscow: Nauka, 1967, p.253.
- [41] "A distant king was a poor defence against mobile gangs of marauders. The practical measure against their raids was the fortified castle and heavily-armed knight". See: North D.C. *Structure and Change in Economic History*. New York London: W.W. Norton & Company, 1981, p.136, 137.
- [42] Gurevich. A.Ya. *The medieval world: the culture of the silent majority*. Moscow, 1990, p.38.
- [43] Among the Lombards, the concepts "soldier", "free man" and "property-owner" coincided. See: Wickham C. *Early Medieval Italy. Central Power and Local Society 400–1000*. London Basingstoke: The Macmillan Press Ltd., 1981, p.71.
- [44] Cassiodori Senatoris Variarum Monumenta Germaniae Historica, Auctorum Antiquissimorum Tomus XII. Berlin, Weidmann, 1894, p.364.
- [45] The basis for relations between lord and peasant in the England of that time was the manorial system. "The manor is divided into two main parts: the demesne, most often constituting 1/2 to 1/3 of the territory of the manor and cultivated by the unpaid labour of peasants, and the peasants' lands; there are also free lands, comprising a narrow border on the manor territory". See: Kosminsky Ö.Ä., Lavrovski V.M. *The history of Brampton Manor in the 11th–18th centuries* // SV. Edn.2, Moscow, 1946, p.190–221.
- [46] Melyantseyev V.A. *The economic growth of the countries of the East and West from a long-term perspective*. Moscow: Doctor of Economic Sciences Dissertation, 1995, p.138.
- [47] "The tithe, for example is a real land tax, which deprives land-owners of the possibility of assisting as widely in the defence of the state by their payments as they could have done in the absence of the tithe". See: Smith A. *A study of the nature and origins of the wealth of nations*. Vol. 2. Moscow–Leningrad: Gos. soc.-econom. isd-vo, 1931, p.403.

[48] By the end of the 7th century, a third of the productive land in France belonged to the Catholic Church. See: Lal D. Unintended Consequences: the Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance. Cambridge Massachusetts London: The MIT Press, 1998, p.85.

[49] On the role of the Catholic Church in the preservation of Roman traditions, Roman legislation and institutions in the period after the collapse of the Roman Empire see: Anderson P. Passages from Antiquity to Feudalism. London: NLB, 1975, p.131–132. On the use of the traditions of Roman law by the Catholic Church in its own interests see: McNeill W.H. The Rise of the West: A History of the Human Community with a Retrospective Essay. Chicago London: The University of Chicago Press, 1991, p.552, 553. On the interest of the church in implanting in Western Europe the Roman tradition of unlimited private ownership of land see: Gurevich A.Ya. Problems of the genesis of feudalism in Western Europe. Moscow: Vysshaya shk., 1970, p.40, 41, and also Gurevich A.Ya. Norwegian society in the early Middle Ages. The problem of social structure and culture. Moscow: Nauka, 1977, p.77, 78.

[50] Wickham C. Early Medieval Italy. Central Power and Local Society 400–1000. London – Basingstoke: The Macmillan Press Ltd, 1981, p.142.

[51] Weber M. General Economic History. New Brunswick (U.S.A.) and London (U.K.): Transaction Publishers, 1995, p.340.

[52] Longworth P. The Rise and Fall of Venice. London: Constable, 1974, p.1–3.

[53] Authors of the Renaissance period draw a direct line from antiquity to the Italian city-states. For them, all that is between these periods was a period of Germanic barbarianism. See: Waley D. The Italian City-Republics. London: Weidenfeld and Nicolson, 1969; Yastrebitskaya A.L. Mediaeval Europe through the eyes of contemporaries and historians. Part 4. From the Middle Ages to the modern time. Modern Man. Moscow: Interpraks, 1994, p.84, 86.

[54] In Northern Italy and Tuscany in the days of the Empire, there were about a hundred municipalities. By the year 1000, three quarters of them remained. On the continuity of the Italian city-states in relation to the cities of the classical period see: Svanidze A.A. The city in the mediaeval civilisation of Western Europe. Vol.1. The phenomenon of mediaeval urbanism. Moscow: Nauka, 1999, p.42. W. MacNeill justly notes: “These were socially different cities, but the traditions of the urban way of life were absorbed by mediaeval society on these territories together with the air of classical culture, with the classical inheritance overall”. See: McNeill W. H. The Disruption of Traditional Forms of Nurture. October 1995, p.10.

[55] On the preservations of the traditions of life in the cities after the Lombard conquest, see: Wickham C. Early Medieval Italy. Central Power and Local Society 400–1000. London Basingstoke: The Macmillan Press Ltd, 1981, p.74.

[56] On the interconnection of the traditions of municipal organisation of Roman cities and the formation of institutions ensuring the autonomy or independence of the city in Western Europe see: Kulisher I.M. History of the economic life of Western Europe. Vol.2. Moscow–Leningrad, 1931, p.321.

[57] Jaques Le Hoff. The civilisation of the mediaeval West. Sretensk: MTsIFI, 2000, p.276.

[58] Such attempts have been made. Some researchers have linked the different course of events with the fact that the Elbe divides the regions traditionally settled by the Germanic and the Slav tribes. See: Knapp J.F. Ueber Leibiegenschaft “Gesammelte Beitrage zur Rechts und Wirtschaftschichte des Wurtembergischen Bauernlandes”, Turbingen, 1902. In an academic controversy, there is little sense in alluding to the manifestly racist nature of such constructs. But they simply do not correspond to historical reality. East Germany, Hungary and Transylvania were not settled by Slavs.

[59] “The Western city gave the mediaeval age of monarchies democratic, republican forms of government... The innovative impulses that transformed the Middle Ages came predominantly from the cities”. See: McNeill W.H. The Disruption of Traditional Forms of Nurture. October, 1995, p.11.

[60] “The decisive fact was that from the very beginning the Western city was capable of defending itself... It consisted of citizen-soldiers, who did not identify themselves with any political association not connected with the city”. See: Baechler J. The Origins of Capitalism. Oxford: Basil Blackwell, 1975, p.67.

[61] Similarly to the fact than in many nomadic tribes it was forbidden to engage in agriculture, in certain Italian cities, for example Pisa, a direct prohibition against city-dwellers engaging in agriculture was in force. See: Waley D. *The Italian City-Republics*. London: Weidenfeld and Nicolson, 1969, p.106.

[62] “The late classical civilisation did not recognise the merits of physical labour. The term “negotium” (“business”, “occupation”, “work”) also had the meaning “annoyance”, “nuisance”. By the end of the classical age, engagement in agriculture was already not numbered among the citizenly virtues, as had been the case in the more patriarchal period”. See: Gurevich A.Ya. *The mediaeval world: the culture of the silent majority*. Moscow, 1990, p.36.

[63] Bible. New Testament. Second Epistle of the Apostle Saint Paul to the Thessalonians. Chap.3. United Bible Society, 1992, p.251.

[64] On 13th century Florence as a capitalist city. See: Zombart V. *Bourgeois*. Studies on the history of the cultural development of modern economic man. Moscow, 1924, p.105, 106. On the capitalistic organisation of the Venetian economy see: Cox O.C. *Foundation of Capitalism*. New York. 1959, p.62. L. Vasilyev was right in maintaining that “capitalism . . . is the offspring of the European city and the age of the Renaissance, a direct descendent of antiquity (and not of feudalism, as certain people through inertia sometimes imagine)”. See: Vasilyev L.S. *The history of the East: in 2 vols., Vol.1*, Moscow: Vysshaya shk., 2003, p.16.

[65] Rosenberg N., Birdzell E.L. *How the West Grew Rich*. New York: Basic Books, Inc., Publishers, 1986. p.15–16.

[66] Waley D. *The Italian City-Republics*. London: Weidenfeld and Nicolson, 1969, p.78, 79.

[67] *Ibidem*, p.101.

[68] “The role that Northern Italy played in the development of capitalist institutions was critical. Thus, many seeming innovations in the commercial organisation of Northern and Western Europe were in fact a dissemination of what had long ago been a practice widespread in Northern Italy. This dissemination can be recalled from the name of Lombard Street in London”. See: Rosenberg N., Birdzell E.L. *How the West Grew Rich*. New York: Basic Books, Inc., Publishers, 1986. ê. 76.

[69] In 1242 in Venice, a five-volume code of laws was adopted, three volumes of which were devoted to the regulation of commercial activity: the concluding of contracts, securities, promissory note law and the like. See: Longworth P. *The Rise and Fall of Venice*. London: Constable, 1974, p.65.

[70] E. Jones drew attention to this. W. Kasper called such institutional competition the E. Jones effect. See: Jones E. *The Record of Global Economic Development*. Cheltenham Northampton: Edward Elgar Publishing Inc., 2002, p.38–40; Kasper W. *The Open Economy and the National Interest// Policy* (winter 1998) p.22.

[71] Braudel' F. *Civilisation and Capitalism, 15th–18th centuries*. Vol.3. *Perspectives of the World*. Moscow: Progress, 1992, p.60, 61.

[72] Forminsky O. *The Wendish coastal cities and their influence on the formation of the Hanseatic League up to the year 1370*. Kiev, 1877, p.74–75.

[73] “Usually they at the same time combined into an association or corporation which received the right to have its own courts and town council, to publish laws for regulating the life of the city, to raise walls for its defence and to subject all its inhabitants to a certain kind of military discipline, obliging them to perform guard duty, i.e. as this was understood in times past, to preserve and defend these walls day and night against possible attacks. In England, the inhabitants of such towns were usually exempted from the jurisdiction of the Hundreds and Counties, and all disputes which arose between them, apart from crown actions, were decided by their own courts. In other countries, they were often granted much more significant and more extensive privileges”. See: Smith A. *A study of the nature and origins of the wealth of nations*. Vol. 1. Moscow–Leningrad: Gos. soc.-econom. isd-vo, 1931, p.410, 411.

[74] McKisack M. *The parliamentary representation of the English boroughs during the Middle Ages*. London, 1936, p.106.

[75] Signed by Henry I in 1100 on accession to the throne, the document denounced the practice of arbitrary taxes and confiscations, and contained a promise to show moderation in taxation policy.



[76] “The cities represented in the States of Holland were the main source of political power in the province, just as throughout the whole history of the Dutch republic: from the first days of the revolt until the French occupation in 1796”. See: Price J.L. *Holland and the Dutch Republic in the Seventeenth Century*. Oxford: Clarendon Press, 1994, p.11. On the influence of the institutional experience of the Italian city-states on the development of the socio-economic and political institutions of Holland, see: Barbour V. *Capitalism in Amsterdam in the Seventeenth century*. The Johns Hopkins Studies in Historical and Political Science. Series LXVII. # 1, 1950, p.142.

[77] Israel D. *The Dutch Republic: Its Rise, Greatness, and Fall 1477–1806*. Oxford: Clarendon Press, 1995, p.27–28.

[78] The advantages of indirect taxes were well understood by contemporaries. In the 17th century AD, the premier of Sweden Oxensherna Axel Gustafson put it thus: “They are convenient for the ruler, do no damage to any of the people and do not provoke rioting”. See: Hicks J. *A Theory of Economic History*. London Oxford New York: Oxford University Press, 1969, p.127.

[79] Cox Oliver C. *The Foundations of Capitalism*. New York: Philosophical Library. é. 293.

[80] Hobbes T. *Behemoth: the History of the Causes of the Civil Wars of England* / Sir W. Molesworth (ed) *The English Works of Thomas Hobbes*, Vol.VI, London, 1839–1845.

[81] Even from the days of the Plantagenets, drawn into constant wars for their possessions on the mainland, ideas concerning the danger of providing a king with excessive tax revenues took root. See: Petti V. *Economic and statistical studies*. Moscow: Gos. sots.-ekonom. isd-vo, 1940, p.17.

[82] Cox Oliver C. *The Foundations of Capitalism*. New York: Philosophical Library. é. 299.

[83] King .ç. *A Concise Economic History of Modern China*. Bombay: Vara, 1968

[84] North D. C. *Structure and Change in Economic History*. New York–London: W.W. Norton & Company, 1981, p.146, 147.

[85] On the struggle surrounding the distribution of land rights between the privileged class and the peasantry in Europe, connected with the abolition of the feudal institutions see: Blum J. *The End of the Old Order in Rural Europe*. Princeton – New Jersey: Princeton University Press, 1978, p.357, 400.

[86] The most authoritative studies, in which the thesis of the similarity of the level of economic development of Western Europe and other centres of agrarian civilisation, measured as per capita GNP at purchasing power parity, in the mid to late 18th century are due to P. Bairoch. Given the lack of perfection of economic statistics in the 18th century, the debate on this question is among those that will continue indefinitely. Nonetheless, with regard to the subject of the present paper, the connections of the specifics of the Western European institutions which had arisen by the second half of the 18th century, with the creation of the preconditions for modern economic growth and with the influence of this growth in the leading countries on less developed countries, were as insignificant as the interrelation between the per capita GNP of Western Europe and of China in the 18th century. See: Bairoch P. *Economics & World History. Myths and Paradoxes*. Chicago: University of Chicago Press, 1993, p.101–106.

[87] T. Kjaergaard estimates the increase in the number of copies of books devoted to the correct practice of agriculture in Europe from 1370 to 1814 at 20,000-fold (from 10 thousand in 1470 to 200 million in 1814). These calculations include quite a few arbitrary assumptions, but there is no doubt as to the vigorous growth in demand for technological information on effective means of organising agriculture, and in the supply of such information in Europe on the eve of the start of modern economic growth, after the formation of the capitalist system of production relationships. See: Kjaergaard, Thorkild. *Origins of Economic Growth in European Societies the XVIIth Century: The Case of Agriculture*. *The Journal of European Economic History*. Vol. 15. # 3 (winter 1986), p.293–296; S. von Bath, on the basis of crop capacity (the ratio of harvests to sowings) in Western Europe, in particular in England, came to the conclusion that this grew significantly between the start of the 13th and the end of the 17th century. In England, this ratio increased from 3.7 in 1200–1249 to 7 in 1500–1699. See: Slicher van Bath B.H. *Accounts and Diaries of Farmers before 1800*// *Afdeling Agrarische Geschiedenis Bijdragen*, Vol. 8. 1962, p.22.

[88] Coleman D.C. *The Economy of England 1450–1750*. Oxford : Oxford University Press, 1977. é. 61.

[89] Ladurie Emmanuel Le Roy. *The Peasants of Languedoc*. Urbana–Chicago–London: University of Illinois Press, 1976. é. 305–307.