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**Electronic version**
URL: http://journals.openedition.org/oeconomia/904
ISSN: 2269-8450

**Publisher**
Association Œconomia

**Printed version**
Date of publication: 1 September 2014
Number of pages: 459-462
ISSN: 2113-5207

**Electronic reference**
URL: http://journals.openedition.org/oeconomia/904

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The book refutes a commonly-held notion that guilds—mainly merchant guilds, a form of association to be found across most European countries between the eleventh and nineteenth centuries—were efficient institutions directed at solving coordination problems, asymmetric information and imperfectly-developed markets. It is argued that, contrary to views put forth by other scholars, most notably the late S. Epstein, as well as A. Greif, that guilds did not represent ‘best practice’ models, in a sense that no better alternatives existed for solving problems which guilds were intended to solve. Rather than influencing economic efficiency and thus the level of economic activity guilds affected distribution (we may say: of gross national product); and they did so in ways that were not suited to raise general welfare. They were directed at rent seeking and extracting monopolies at the expense of the wider common wealth. By using close-knit social ties and sociability as cultural traits to promote economic closure and exclusion they did produce social capital and promoted efficiency and welfare—but only for the members of the club. Therefore guilds had a ‘dark side’. In this way, the author argues, guilds were both inept to promote social capital (beyond the limited range of those that were incorporated into and benefiting from the guilds) as well as raise total economic activity (and general welfare). As the author states (passim), this also has implications on modern policy tools and recipes addressed at alleviating modern-day poverty and underdevelopment.

By drawing on an impressive range of literature covering most European countries, much of which is in German and other non-English language works, Ogilvie manages to create a fascinating and extremely wide-ranging and very complex picture combining rigorous theoretical reasoning where appropriate with ample case studies and scrupulous detail where necessary. Whilst not denying that guild

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membership did create some positive spill-over effects, on balance, Ogilvie argues, the negative externalities would more than have weighed up the positive effects. Whilst guilds where to be found literally everywhere and at all times in Europe in the middle ages and early modern period they disappeared first, and decidedly lost influence and societal relevance, in those countries which modern research has earmarked as the ‘modern’ economies of the pre-modern age, i.e. the Netherlands and, later on, England. As is well known, these countries exhibited early traits of ‘modern’ inclusive political and economic institutions promoting ‘modern’ trajectories towards economic growth and development using modern production functions; guilds did not fit the bill (in the long term). Chapter one introduces the argument; chapter two provides an in-depth discussion of what a guild was and what different shapes and characteristics it attained in the many different location points of time and space in the European economy, 1000–1800 A.D. Guilds provided particularly long-lived and tenacious at those places that lagged behind in terms of economic growth and development, such as Germany (Hanse) and Scandinavia in the early modern period. Chapter three provides a useful survey of what guilds—mainly the ubiquitous local ones—did: They represented cartels (monopolistic agreements on prices and/or amounts of goods produced by those forming the cartel, including attempts to control input prices across the full length of the commodity chain); they enforced staple rights and were generally directed at maximizing market control. Other methods included restricting entry, exclusion (by rigorous creation of social capital, group affiliation and other markers of exclusivity, including aspects such as gender, age, ethnic origin, marital status, family descent). Chapter four discusses alien merchant guilds (guilds formed by expatriates at the particular chosen foreign places of economic activity; most famously, perhaps, the German Hanse). Such measures were all too often successful, as the author argues, based on the numerous and omnipresent complaints and voices of discord recorded by the outsiders. Chapter five highlights the often close cooperation of guilds with rulers, the former providing cash-in-advance and state finance in return for economic privileges directed at enforcing monopoly—a price many rulers and governments paid for by a decreased overall level of economic activity (compared to the Pareto-optimal level which would have obtained, had guilds and their monopoly privileges not existed in the first place). Often the fees paid for by the guilds in return for monopoly privileges ‘saved rulers the costs of tax collection’ (189). Chapter six tests the issue of efficiency by a focus on commercial security: yes, guilds lowered transaction costs and increased property rights stability for their members. But again: it was for members only, and Ogilvie provides, in chapter seven, a broad survey of commercial alternatives that existed towards solving contract enforcement prob-
lems. It was not only public-order institutions provided by rulers (law courts etc.) that were open and equally accessible to every actor in the market (not only the members of the club) which did the trick but also techniques and institutions developed at the micro-level by the actors themselves (such as pledges, cession of credit, written records and accounts, notaries, arbitration and litigation procedures, both informal as well as more formalized ones such as state, ecclesiastical and municipal law courts for instance). This led, after all, to the economic success of the early modern Dutch and Flemish commercial towns such as Bruges, Antwerp and Amsterdam with general open access markets, inclusive institutions and equal rights for everyone regardless of nationality or confession, or incorporation into a privileged association of economic actors. So, a portfolio of ample alternatives existed directed at increasing the efficiency of contract enforcement—guilds were neither the only nor the most feasible of them. Chapter eight studies principal-agent problems, highlighting the often inefficient internal algorithms, practices and schedules prevailing within guilds, including flows of information—which, as chapter nine argues, were often surprisingly slow and suboptimal compared to alternative forms of information provision, for instance within merchants’ networks, or using independent transmitters such as price currents, merchant handbooks and newsletters. Ogilvie finds no significant information advantage, nor the existence of an effective monopoly held by guilds on market information flows. Chapter ten finds no evidence that the existence of guilds would have lowered price volatility and thus smoothed out economic fluctuations. To the contrary, it was the gradual abolition of privileged corporations which did the trick, leading Europe into a more competitive (and long-term dynamic) market economy.

The book will be of interest to all historians who believe in free markets, inclusive economic institutions and unrestrained (unregulated) economic exchange as a panacea for economic growth and long term development. The criteria for benchmarking and assessing economic ‘efficiency’ are borrowed from modern economic theory; not all economic historians will nowadays agree, however, that we should study Europe’s economic history— with all its spatial and chronological idiosyncrasies and time-space specific growth and development trajectories—using neoclassical economics or the idea that a set of ‘best-practice’ or ‘better-practice’ models of organizing economy and society existed, deviations of which would then be labelled as either Sonderwege or ‘inefficient/sub-optimal’. Of course it is impossible to ‘prove’ that guilds were ineffective; in the same way as it is impossible to prove the contrary. History as an academic discipline knows no scientific proof, but only circumstantial or corroborating evidence. This makes it different from other sciences; economic historians have sometimes been undecided whether to subscribe to histor-
ical inductionism (circumstantial/corroborating evidence) or deductive reasoning (proof; quantitative testing). The present volume draws on both principles, but seems more inclined towards a historical-inductive approach. This is well-taken because neither the available evidence nor the historical question as such lend themselves to quantitative testing. Accordingly, a historical-inductive approach has been chosen by the author instead, coupled with appropriate bits of modern economic theory where appropriate. Of course, an analysis based on inductive reasoning hinges—as most of all other history-writing—ultimately upon belief (or speculation), in a similar way as the literature at which it is addressed in the present case (the advocates of pre-industrial guilds as efficient solutions to existing coordination problems). That goes with the territory. But the way the present case is presented—immensely rich in detail; manifestly insightful in terms of ideas, admirably erudite in terms of theory and density in style and argumentation—the book will give us much food for thought; especially to those who believed that ‘guilds were good’. It will be a landmark in the field for decades to come.