

5.1 – Feudalism

ECON 317 • Economic Development • Fall 2021

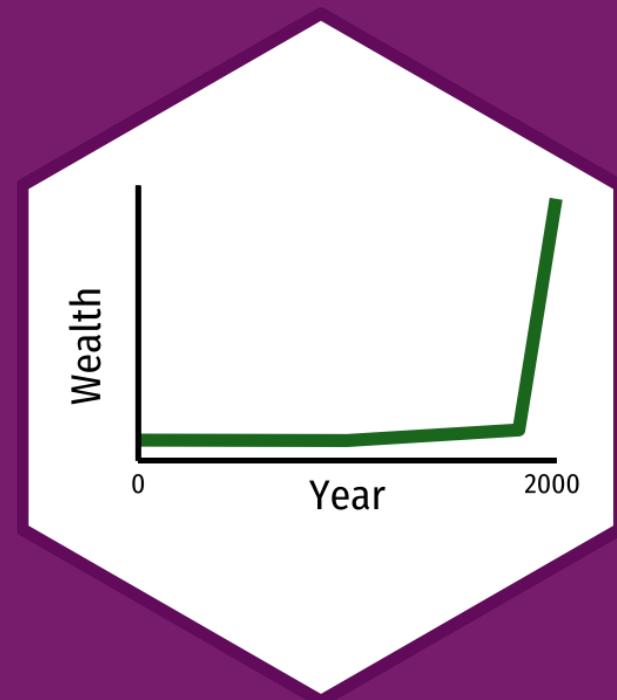
Ryan Safner

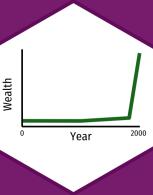
Assistant Professor of Economics

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 [ryansafner/devF21](https://github.com/ryansafner/devF21)

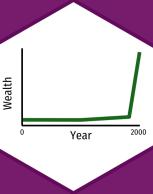
 devF21.classes.ryansafner.com





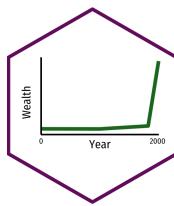
Feudal Europe (c.400-c.1500)

Escape from Feudalism (c.??-c.1500)

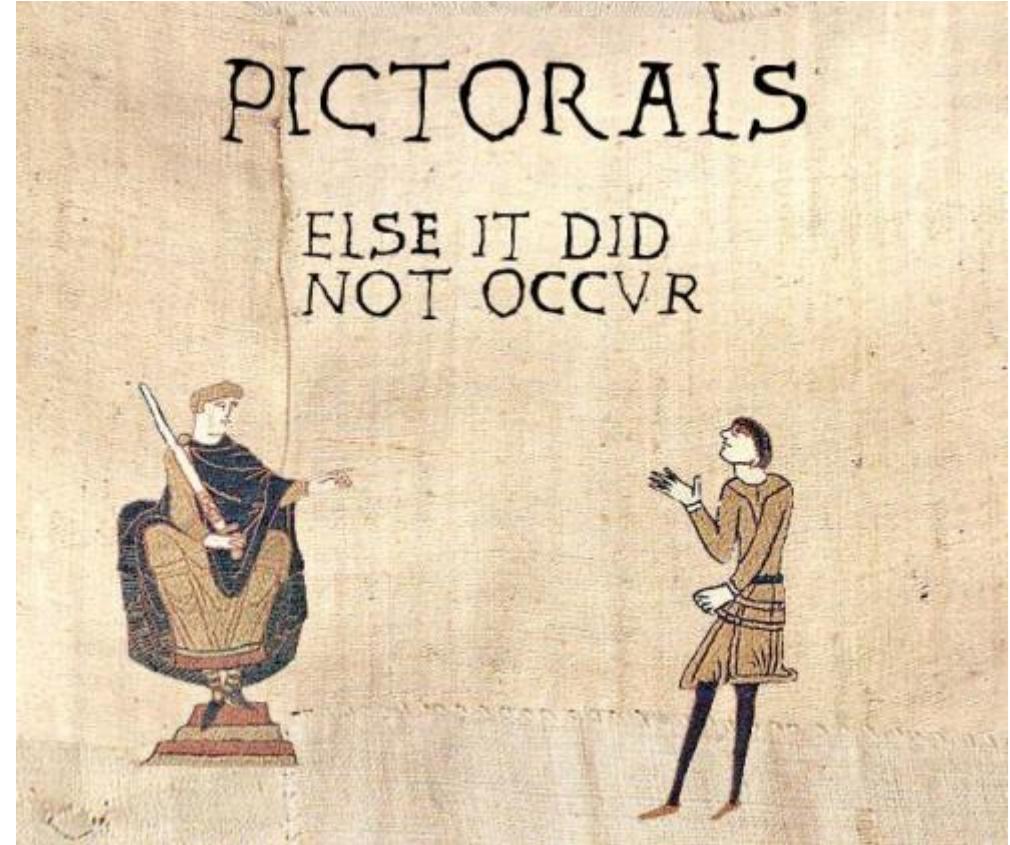


Feudal Europe (c.400-c.1500)

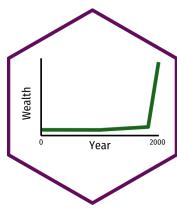
Why Study Feudalism?



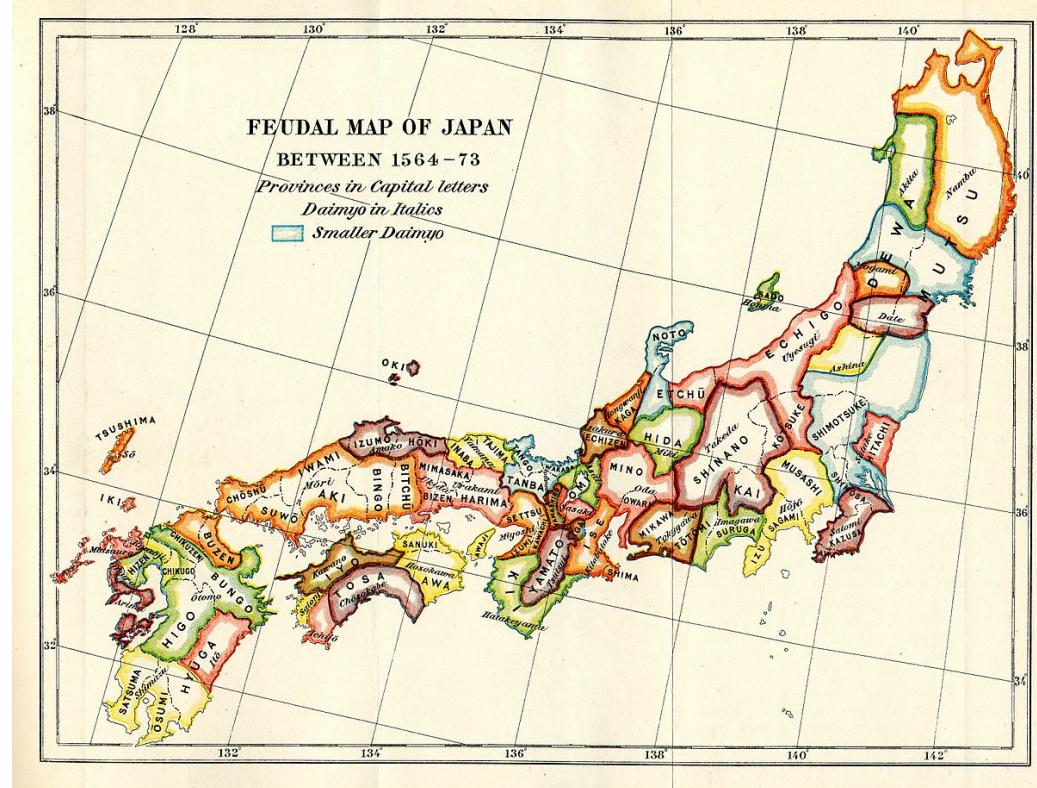
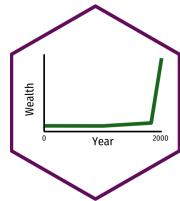
- Near synonymous with natural state/limited access order
 - in non-industrial societies, the most valuable resource is **land**
 - land-ownership is key source of economic & political power
- Vestiges of feudalism remain today



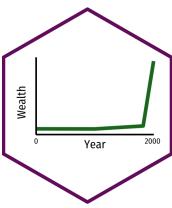
Feudalism



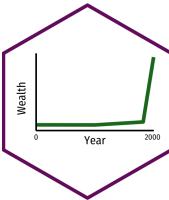
Other Feudalisms



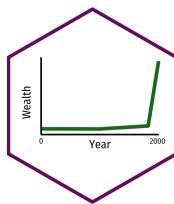
European Feudalism



European Feudalism



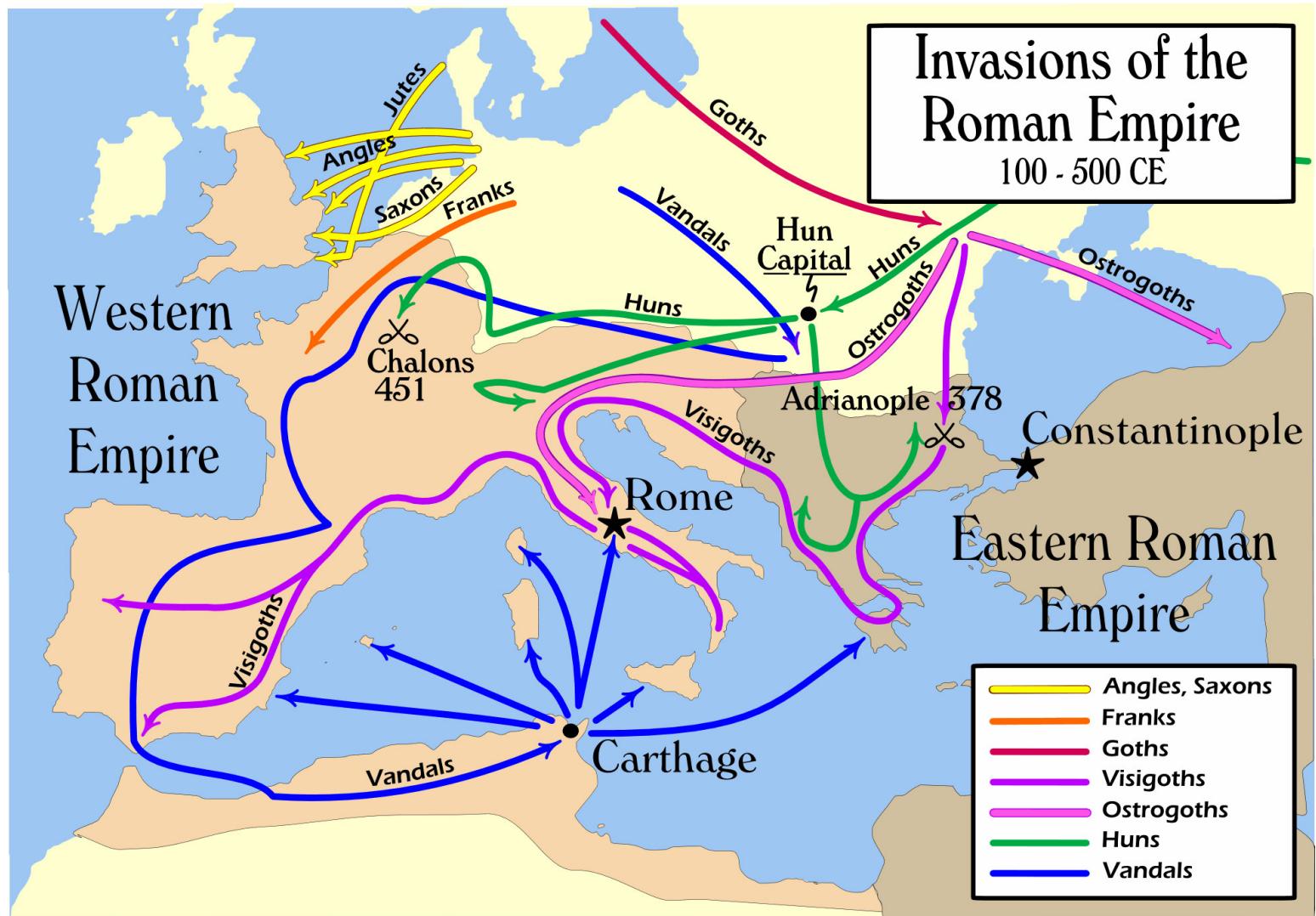
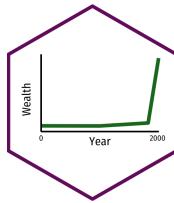
European Feudalism (c.500-1500)



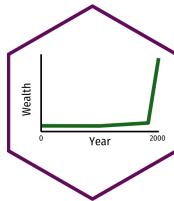
- Why was feudalism such a stable equilibrium for about 1,000 years?
- How, when, and why did countries transition out of this equilibrium?



Formation of the Feudal System (c.500) I



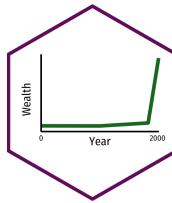
Formation of the Feudal System (c.500) II



- Fall of Roman Empire and its dependencies by invasions of Germanic, Central Asian, later Scandinavian tribes
- Lots of sources of violence: invaders, bandits, local disputes/feuds without central authority
- Olsonian **roving bandits**: little incentive to produce or invest



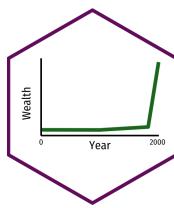
Formation of the Feudal System (c.500) III



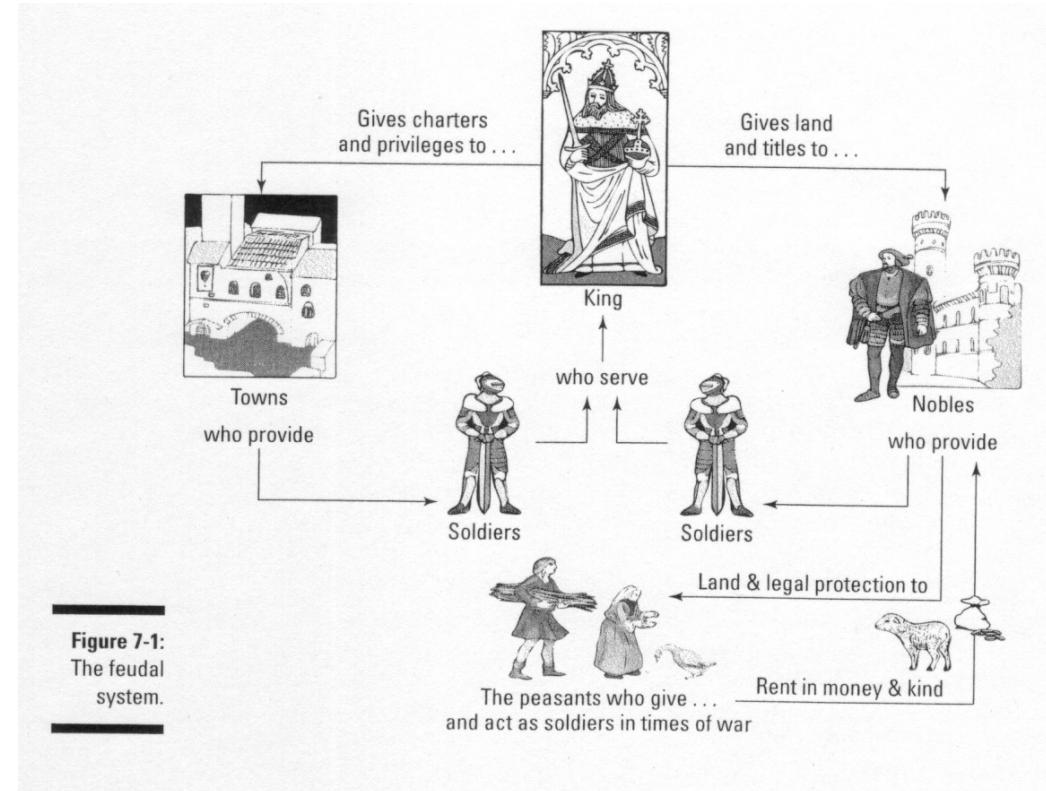
- **Patronage**: weaker individuals pledge themselves to strongmen (**lords**) who protect them from violence, dispense justice, resolve disputes, etc
- Most powerful warlords own large tracts of land that they can control
- Olsonian "stationary bandits"?



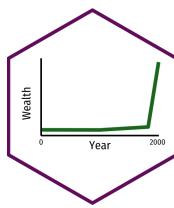
Formation of the Feudal System (c.500) IV



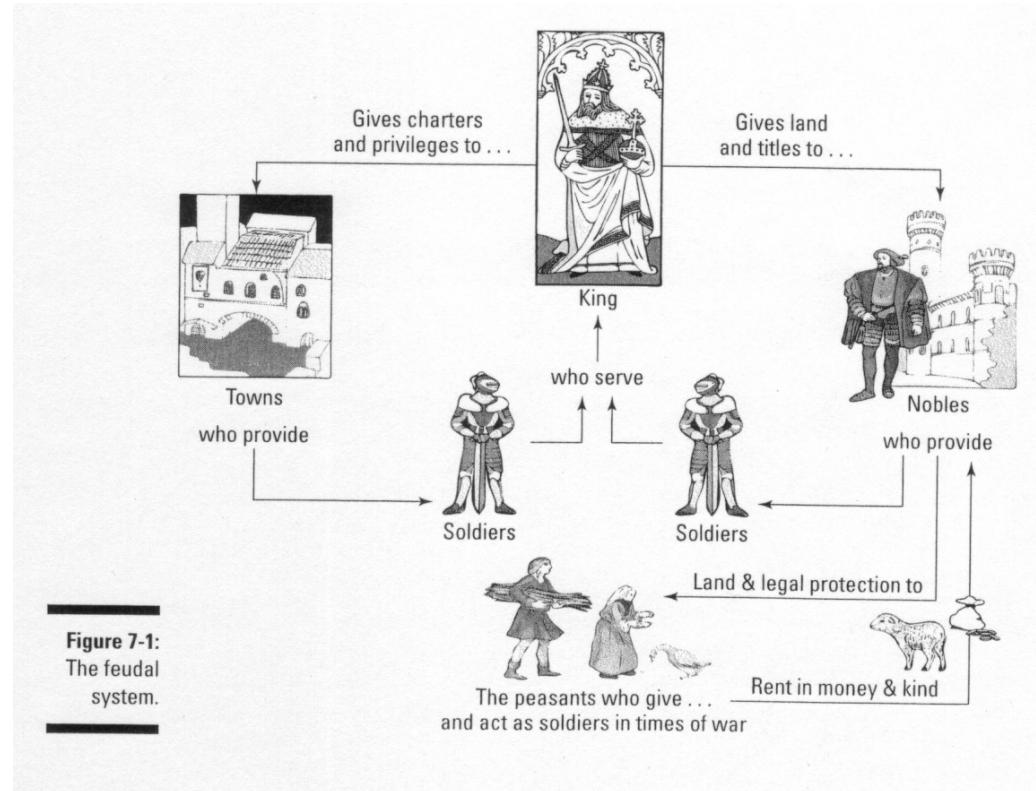
- **Feudalism:** most people who *occupy* but *don't own* land hold it as **tenants** from sovereign in exchange for military (or other) service
- Wealth and power determined almost entirely by land-ownership



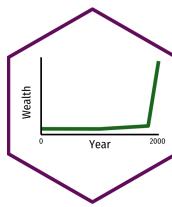
Formation of the Feudal System (c.500) IV



- Lords own **manors** or **estates**
 - Constitute polities in themselves: entirely of political, economic, social, religious life for tenants
- Landowning elite have military power
 - Rent out land to tenants
 - Tenants constitute the elite's work force, and army - if needed



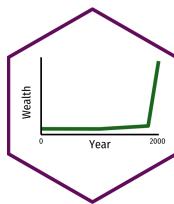
Formation of the Feudal System (c.500) VI



- Crystallized into a *very formal and ritualized* system of **oaths of fealty** to lords
- Reputation and honor are extremely valuable and depreciable assets
 - Being an "oathbreaker" deigns one as a social outcast (and is a virtual death sentence without protection from sovereign lords)
- Person would pledge **homage** to their superior, to literally "*become his man*" (*homme*)
- Lord would provide protection and justice in exchange for **knight-service**



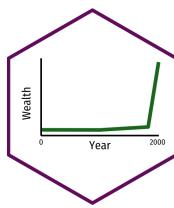
Formation of the Feudal System (c.500) VII



- A political-military hierarchy that matched the landowner-tenant ownership hierarchy
 - NWW's proportionality principle!
- Lesser lords were **vassals** to their **liege** lord to whom they owe loyalty and service, all the way up to the **monarch**



Formation of the Feudal System (c.500) VIII

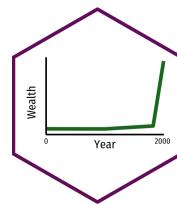


- In addition to oaths of fealty, other more "practical" incentives enforce peace, particularly among rival lords
- Hostages taken from rebellions
- Common for children of one aristocratic family to be "sired" by other aristocratic families
- Politically-arranged marriages



Williamson, Oliver E. (1983), "Credible Commitments: Using Hostages to Support Exchange," *American Economic Review* 73(4): 519-540

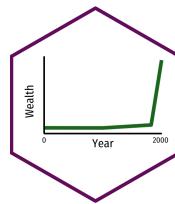
Manorialism I



- Nearly the entirety of Medieval life took place on the lord's **manor** or **fief**
- Subsistence agriculture by sharecropping tenants
- Tenants pay **feudal dues** to their lord
 - often in-kind (fraction of agricultural surplus)
 - may be labor-service, military service, or (much later) **money rent**



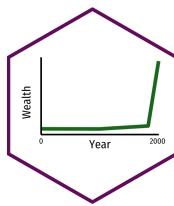
Manorialism II



- No separation between political, economic, social, religious spheres of life
- Lord of the manor is boss, political ruler, judge, policeman, godfather, sometimes religious leader³
- All institutions are **personal** and **partial**, no separate existence of organizations from person
 - Who the lord *is*, their *identity*, matters for patronage!



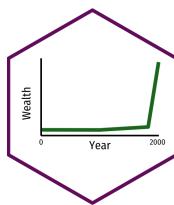
The Economics of Sharecropping I



- Consider two individuals:
 1. Farmer
 2. Landowner
- Farmer wants to farm the landowner's land and generate some surplus
- Farmer and Landowner must write a contract to agree on how to divide the surplus



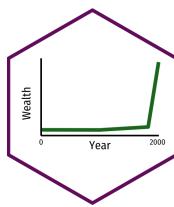
The Economics of Sharecropping II



- Participation constraints:
 - Contract must pay farmer enough to be willing to farm
 - Contract must pay landowner enough to be willing to rent out land



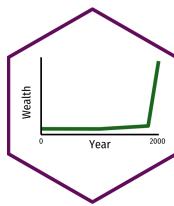
The Economics of Sharecropping III



- One extreme solution:
- Farmer pays a fixed fee up front, once paid, the farmer keeps all surplus
- Would have to be high enough to be worthwhile to the landlord
- Problems with this solution:
 1. requires high upfront cost to farmer (often poor, capital-constrained)
 2. imposes the entirety of the risk on the farmer (bad harvest, weather, invasion, theft)



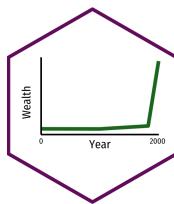
The Economics of Sharecropping III



- A **risk-sharing agreement**: worker pays a smaller (or no) upfront fee, and surplus output is shared between parties somehow
 - for sake of argument, suppose surplus is split 50-50
- Risk of a bad harvest is shared by the farmer and the landowner



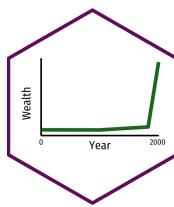
The Economics of Sharecropping III



- New **principle-agent problems** introduced:
 1. Farmer has an incentive to *underreport* to landlord how much surplus they produce, effectively "stealing" more than their share
 - landowner must monitor farmer to reduce this possibility (and this is costly)
 2. Farmer is effectively taxed (50%, in this example) on their output
 - has 50% less incentive to be productive than if they were 100% residual claimant
 - farmer will exert less effort since they get less of the output



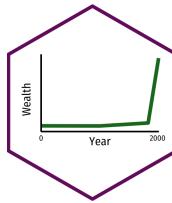
The Economics of Sharecropping V



- A tradeoff between risk-sharing and tax on effort/incentives to shirk
- Most real world sharecropping today is a mixture of fixed and variable components



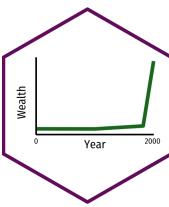
Serfdom I



- Strong disparity in wealth and power between peasants and landowning lords
- Lords had military power, patronage networks, peasants were often dependent
 - there's no "going on your own" in this society
- Freemen might become a serf on a lord's manor to escape brigands, violence, bad harvests



Serfdom II

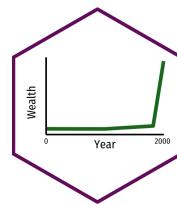


- Formal ceremony of **bondage** between lord and serf (akin to **homage** between lords)

"By the Lord before whom this sanctuary is holy, I will to [NAME] be true and faithful, and love all which he loves and shun all which he shuns, according to the laws of God and the order of the world. Nor will I ever with will or action, through word or deed, do anything which is displeasing to him, on condition that he will hold to me as I shall deserve it, and that he will perform everything as it was in our agreement when I submitted myself to him and chose his will." - 7th Century Anglo-Saxon "Oath of Fealty"



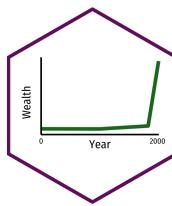
Serfdom III



- How coercive? Certainly unequal bargaining power
- Feudal rents and prices were extremely sticky and unflexible (held by custom)
- Serfs gain protection and security in exchange for service or rent
- Serfs' children were bonded into serfdom
- But serfs, unlike pure slaves, had *some* legal and property rights



The Stickiness of Feudal Rents I



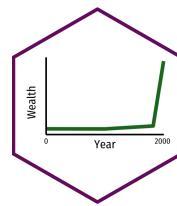
James C. Scott

1936-

“A good part of the **politics of measurement** sprang from what a contemporary economist might call **the "stickiness" of feudal rents**. Noble and clerical claimants often found it **difficult to increase feudal dues directly**; the levels set for various charges were the **result of long struggle**, and even a small increase above the customary level was viewed as a **threatening breach of tradition**. Adjusting the measure, however, represented a roundabout way of achieving the same end.”

Scott, James C. (1999), *Seeing Like a State*

The Stickiness of Feudal Rents II



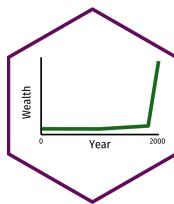
James C. Scott

1936-

“The local lord might, for example, lend grain to peasants in smaller baskets and insist on repayment in larger baskets. He might surreptitiously or even boldly enlarge the size of the grain sacks accepted for milling (a monopoly of the domain lord) and reduce the size of the sacks used for measuring out flour; he might also collect feudal dues in larger baskets and pay wages in kind in smaller baskets. While the formal custom governing feudal dues and wages would thus remain intact (requiring, for example, the same number of sacks of wheat from the harvest of a given holding), the actual transaction might increasingly favor the lord. The results of such fiddling were far from trivial. Kula estimates that the size of the bushel (boisseau) used to collect the main feudal rent (*taille*) increased by one-third between 1674 and 1716 as part of what was called the reaction feodale.”

Scott, James C. (1999), *Seeing Like a State*

The "Ideology" of Feudalism I



- Everyone, including serfs, had important role to uphold in feudal society

Serfs and freemen "worked for all" while a knight or baron "fought for all" and a churchman "prayed for all"; thus everyone had a place

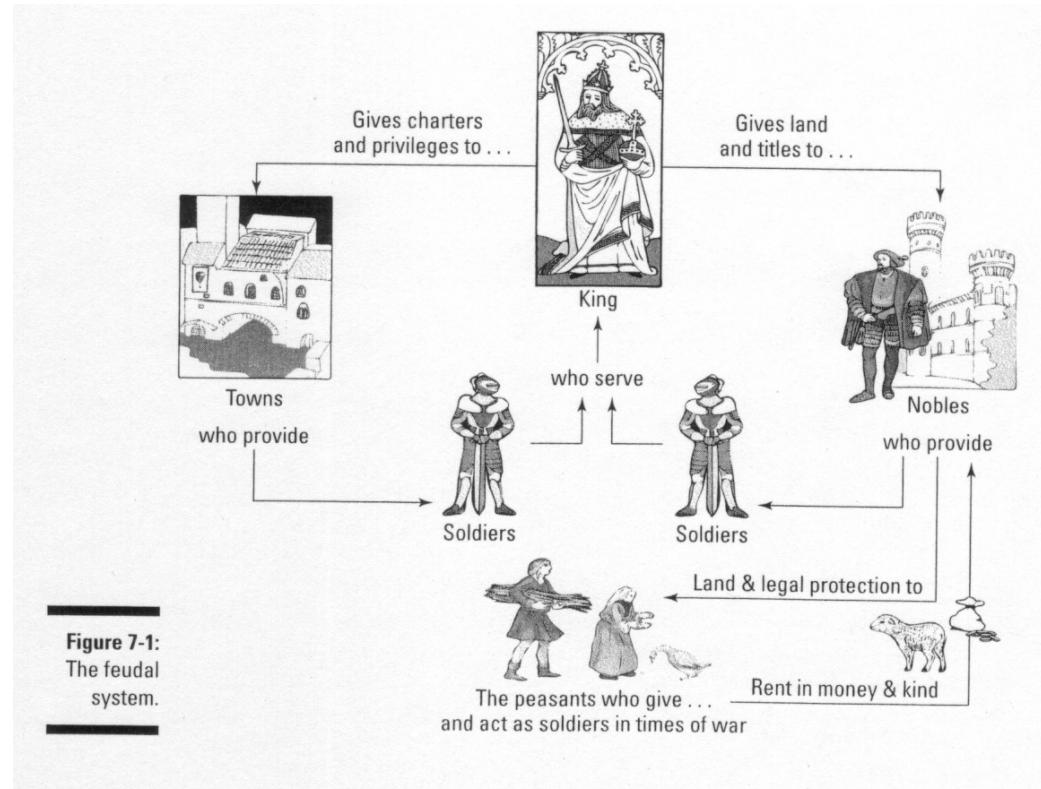
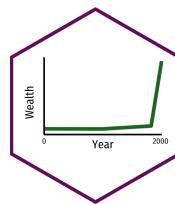


Figure 7-1:
The feudal system.

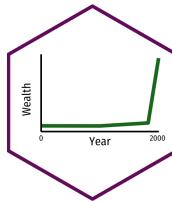
The "Ideology" of Feudalism II



- Forged in the crucible of a breakdown of empires and constant threat of violence and invasion
- Feudalism is primarily about stability and custom, preserving the social order, minimizing violence
- The *last thing* it's okay with is innovation, competition, experimentation, and rocking the boat



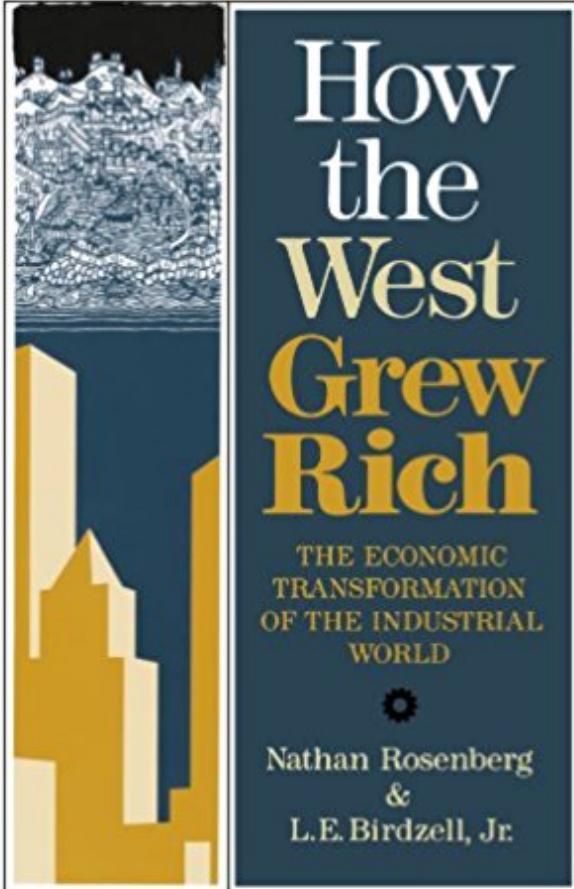
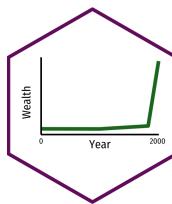
Religion and Feudalism



- The one thing everyone shares is religion
- Catholic Church is dominant, both in Medieval ethics and politics, the only "international" institution
- All actions, exchanges, social and political power are justified as moral (Christian), legitimate, and upholding ancient privileges and customs



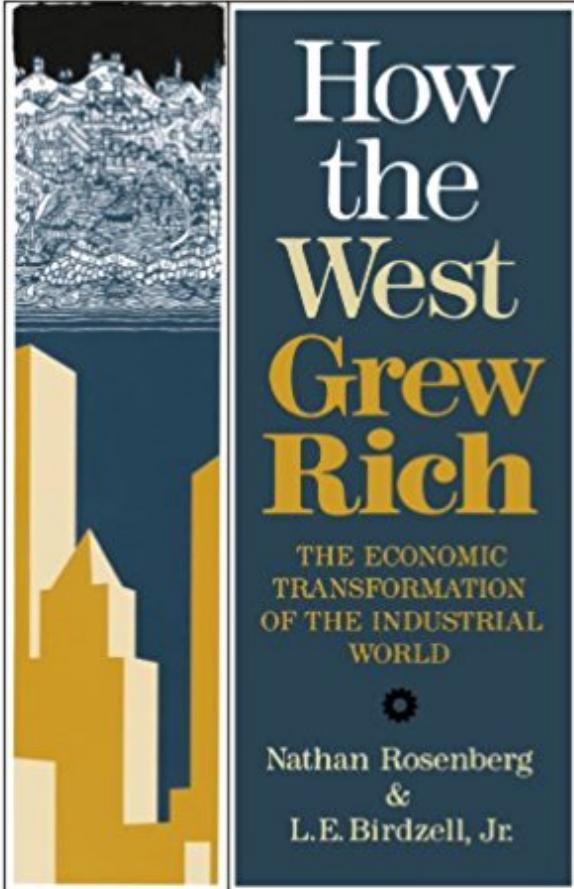
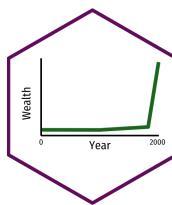
The "Ideology" of Feudalism III



"[T]he medieval way of determining the terms of exchange was by custom, usage, and law, not by negotiation between traders. The division of labor was well developed by the Middle Ages, and there was a corollary exchange of products and services among specialized workers. But the use of custom and law to set the terms of trade was as fundamental to the medieval economy as the unity of its political and economic institutions," (p.38).

Rosenberg, Nathan and L.E. Birdzell, Jr, (1986) *How the West Grew Rich: The Economic Transformation of the Industrial World*

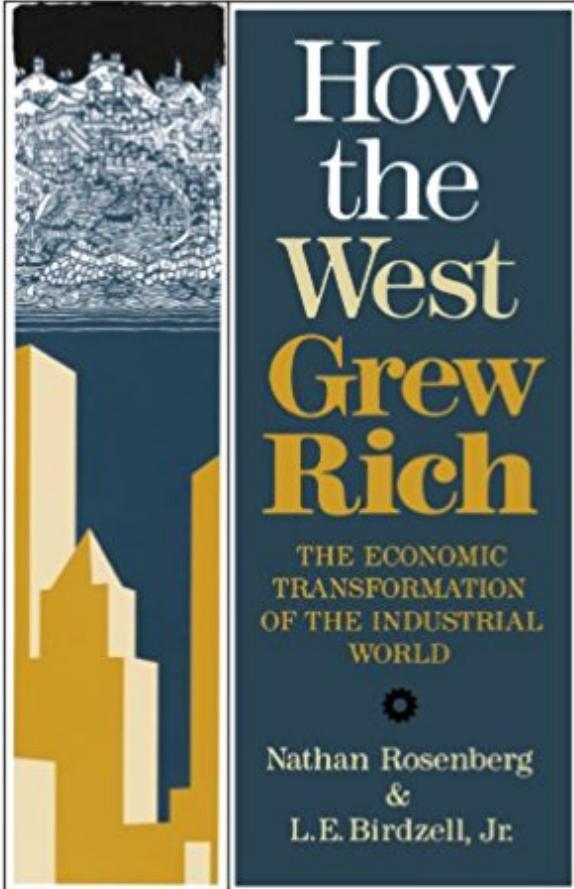
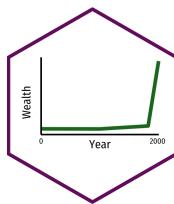
The "Ideology" of Feudalism IV



"Exchange was also usually compulsory, in that the great majority of artisans and agricultural workers were obligated to supply their products and services on terms dictated by custom or law. Agricultural workers were bound to the land in a system of serfdom, a hereditary status assumed at birth, and they had no right to select a more attractive occupation. Townspeople were not given much more choice of occupation, for having a trade...depended on an apprenticeship, usually arranged by one's father...A member of the guild had to work and sell on the guild terms; there was no right to decline business at the fixed rates," (p.38).

Rosenberg, Nathan and L.E. Birdzell, Jr, (1986) *How the West Grew Rich: The Economic Transformation of the Industrial World*

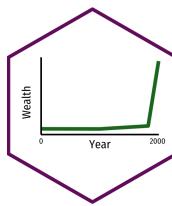
The "Ideology" of Feudalism V



"**The ideology of the system was epitomized in the phrases "just price" and "just wage."** Prices and wages expressed a moral judgment of worth. **Supply and demand were morally irrelevant**...it was mainly in time of famine or siege that prices forced their way into [equating supply and demand]," (p.38).

Rosenberg, Nathan and L.E. Birdzell, Jr, (1986) *How the West Grew Rich: The Economic Transformation of the Industrial World*

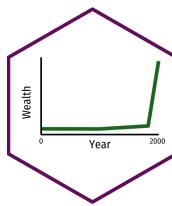
Opposition to Creative Destruction I



Virginia Postrel

"[I]f every voluntary experiment must answer the question, 'Are you going to affect the way I live?' with a no, there can be no experiments, no new communities, no realized dreams. A city, an economy, or a culture is, despite the best efforts of stasists, fundamentally a 'natural' system. As a whole, it is beyond anyone's control. Any individual effort at improvement changes not just the particular target but the broader system. In the process, there may be progress, but there will also be disruptions, adjustments, and losers," (p.204).

Opposition to Creative Destruction II

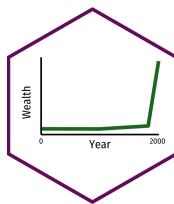


"Stasist institutions shift the burden of proof from the people who want to block new ideas to those who want to experiment. Such institutions seek not simply to compensate for or mitigate extreme side effects but, rather, to treat any change as suspect," (p.204).

Postrel, Virginia, (1998) *The Future and Its Enemies*

Virginia Postrel

Opposition to Creative Destruction III

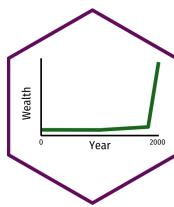


Daron Acemoglu and James
Robinson

"We argue that the effect of economic change on political power is a key factor in determining whether technological advances and beneficial economic changes will be blocked. In other words, we propose a "political-loser hypothesis." We argue that it is groups whose political power (not economic rents) is eroded who will block technological advances. If agents are economic losers but have no political power, they cannot impede technological progress. If they have and maintain political power (i.e., are not political losers), then they have no incentive to block progress. It is therefore agents who have political power and fear losing it who will have incentives to block. Our analysis suggests that we should look more to the nature of political institutions and the determinants of the distribution of political power if we want to understand technological backwardness," (pp.126-127).

Acemoglu, Daron and James A. Robinson, 2000, "Political Losers as a Barrier to Economic Development," *American Economic Review* 90(2): 126-130

Opposition to Creative Destruction IV

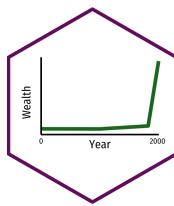


"There is a story, repeated by a number of Roman writers, that a man - characteristically unnamed - invented un-breakable glass and demonstrated it to Tiberius in anticipation of a great reward. The emperor asked the inventor whether anyone shared his secret and was assured that there was no one else; whereupon his head was promptly removed, lest, said Tiberius, gold be reduced to the value of mud," (147).

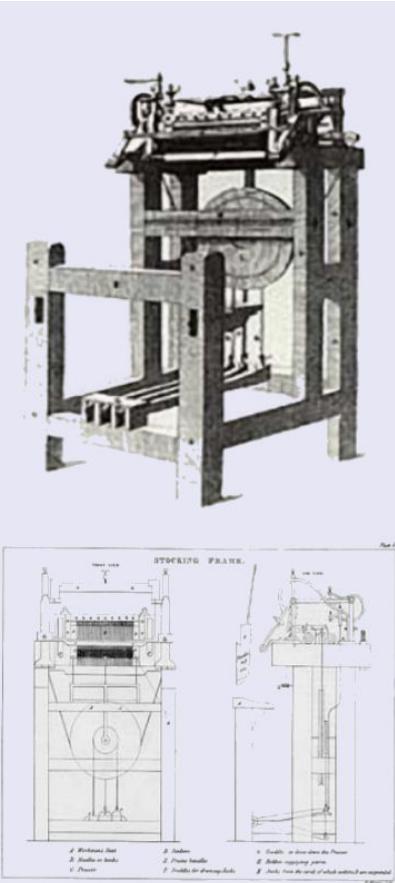
Finley, Moses I, (1965), "Technical Innovation and Economic Progress in the Ancient World,"

Economic History Review 18: 29–45

Opposition to Creative Destruction V



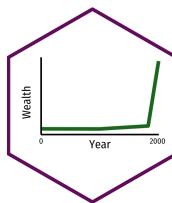
William LEE (1565-1614)



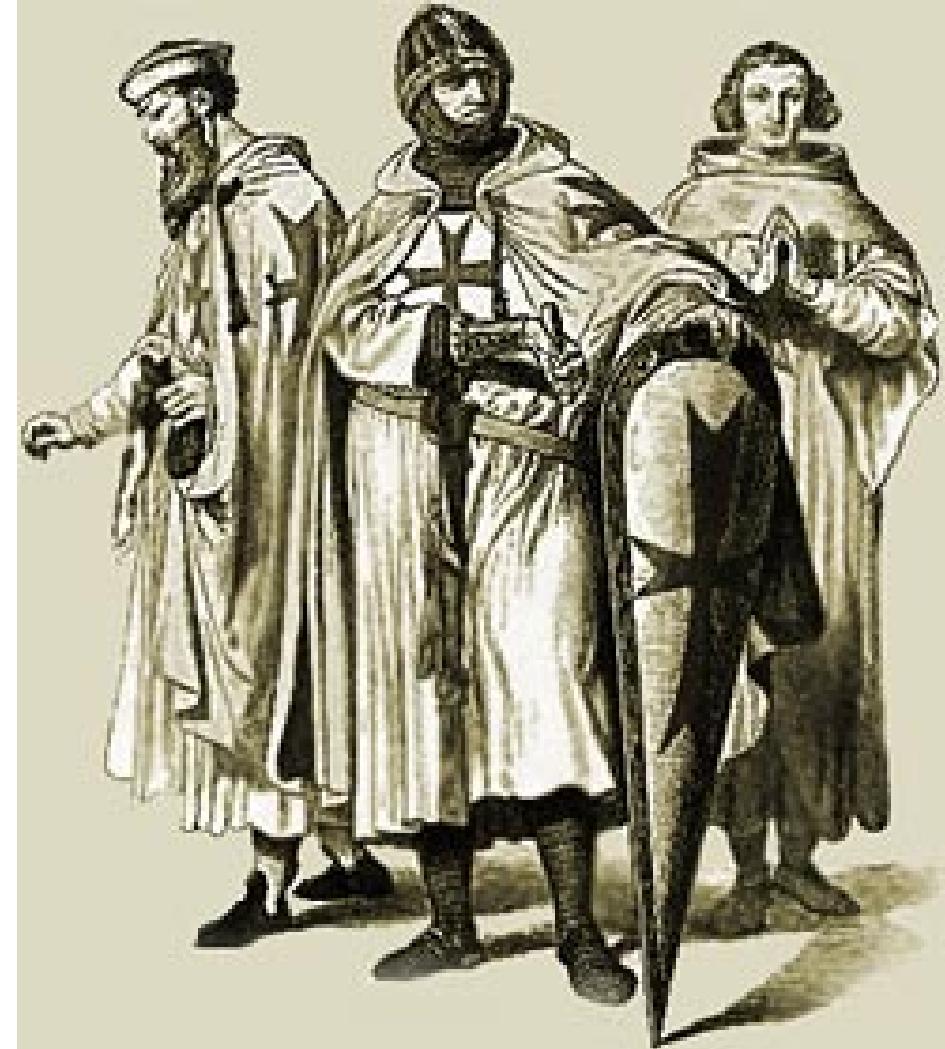
- Queen Elizabeth I to William Lee's request to a *letter patent* for his stocking frame:

"Thou aimest high, master Lee. Consider thou what the invention could do to my poor subjects. It would assuredly bring to them ruin by depriving them of employment, thus making them beggars," (pp. 182-183).

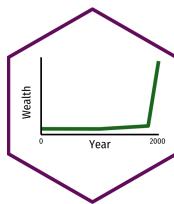
Players in the Feudal System: Nobility I



- **Nobility** are the large landowners, clergy, strongest military factions and patronage networks
- Various titles: barons, earls, dukes, lords, etc.
- Born into land-owning aristocracy, would inherit lands or join church



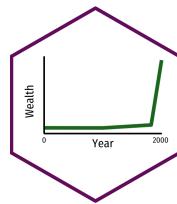
Players in the Feudal System: Nobility II



- Lords and ladies lived off of the revenues of their manors (farmed by tenants)
- Nobles more interested in hunting, tournaments, and warfare



Nobility: Roving Bandits? I



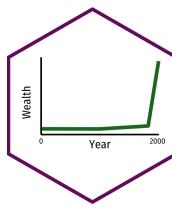
The lord's problem:

1. **Choose:** < a tax rate >
2. **In order to maximize:** < own revenue >
3. **Subject to:** < staying in power >

- Peasants are subsistence-farmers, have little incentive to innovate or produce surplus (see below)
- Variation in production across manors:
 - More due to: weather, terrain, luck
 - Than due to: productivity, efficient organization, innovation



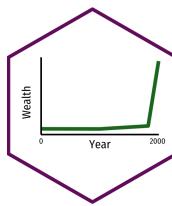
Nobility: Roving Bandits? II



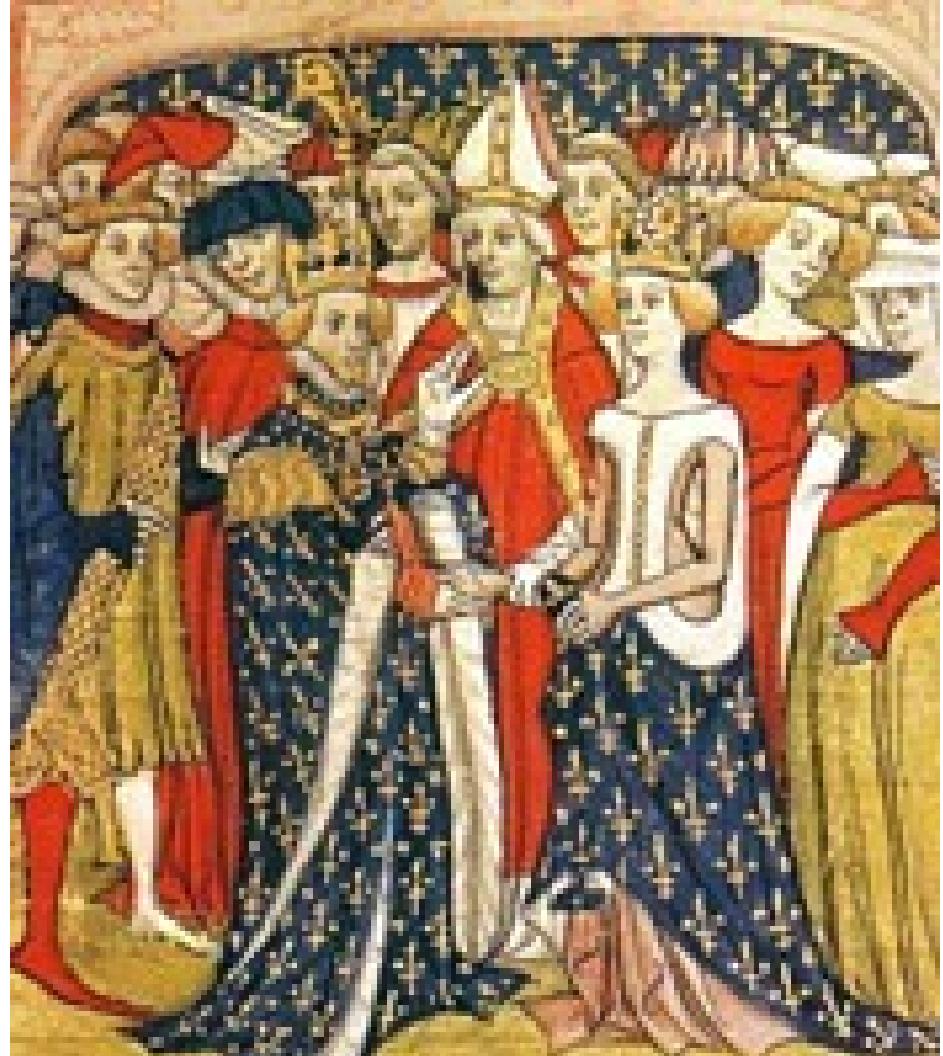
- Got take over other manors!
- Comparative advantage in violence
- Many fight for monarch in war, turn to brigandage in peace
- War something of a "gentlemanly" sport between nobles (goal is to capture nobility for ransom)



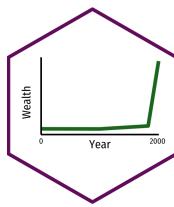
Nobility: Roving Bandits? III



- Incentives to reduce violence, especially if it increases their revenues
- Strategic marriage, hostages, as a credible commitment bridging rival families
- Inheritance -- heirs of marriage can inherit lands of both families
- Failing to produce an heir means family will lose title to land!

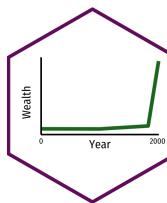


Monarchs and State Capacity I



- How do we go from roving bandits to one stationary bandit?
- Where is the King to keep his barons in check?

Monarchs and State Capacity I

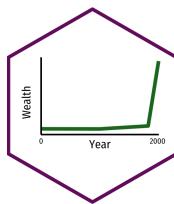


- Kings/Queens not all powerful -- "primus inter pares"
- Germanic tradition: for centuries, kings were *elected* by nobility
 - Witan, Althing, Kingsmoot, etc.
- *Primogeniture* and rules of royal succession are not crystallized until 13-14th centuries
- Again: Kings are more rulers of *people* and *patronage networks* than *territory*



Anglo-Saxon king with his *witan*

Monarchs are Often Weak Relative to Other Elites I

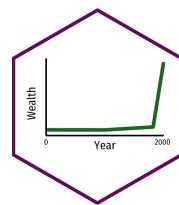


- Monarch *might* nominally rule all land in country (as in post-Conquest England) and grant fiefs to lords
- Often Monarch is just one ruler with his/her own land
- Barons, earls, dukes, etc. have their own realms and sources of power, nominally loyal to the monarch



"France" in 1477

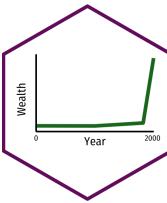
Monarchs are Often Weak Relative to Other Elites II



- **NWW's Proportionality principle:** for a stable political system, rents must be allocated in proportion to groups' capacity for violence
- Rational elites will revolt if they believe their relative strength is greater than the rents they are earning
 - Other elites need to "buy off" their support or else risk revolt
- Dynamics: if distribution of wealth and power changes, the allocation of rents must change!



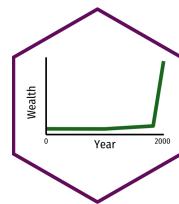
Power and Personality



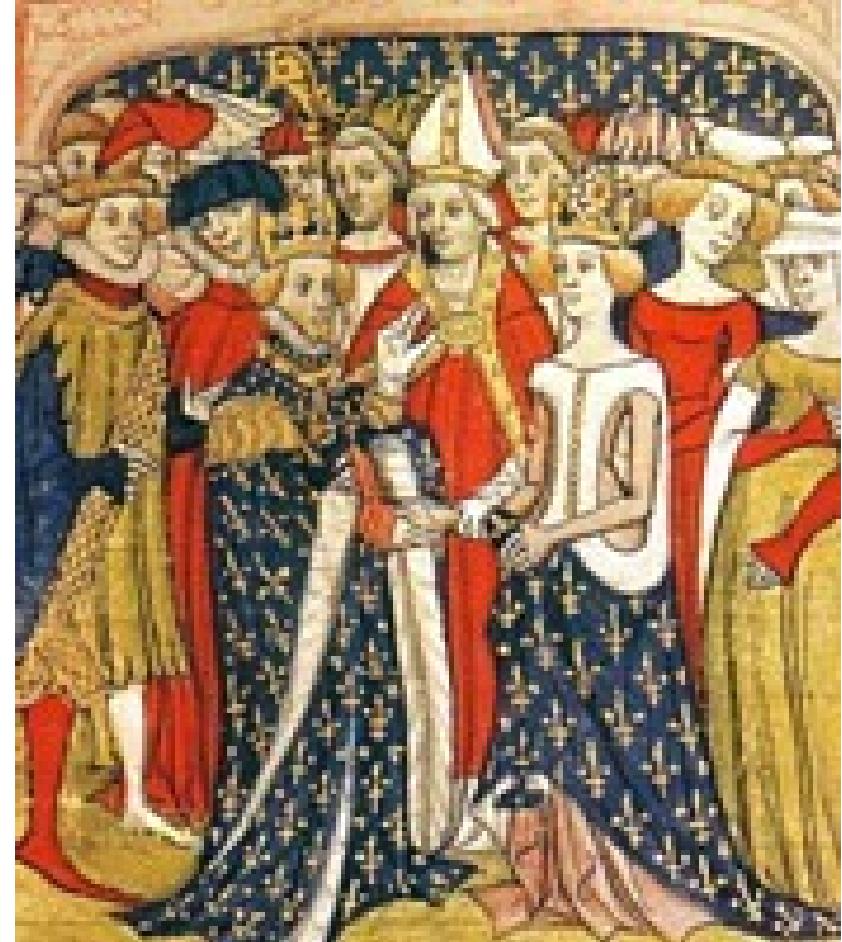
- Elites are loyal to the king as a *person*, not as an office!
- Loyalty depends on king's ability to distribute booty and rents to elites
- "King" or "Warlord" does not control *territory*, controls *vassals* based on social networks and bundle of privileges



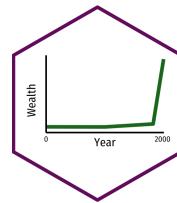
Monarch's Role as Head of Patronage Networks I



- Monarch is head of many patronage networks, often from the most powerful/wealthiest family
- Has siblings and many blood relations that expect patronage or else they might challenge claim to throne
- Monarch must redistribute as patronage (land, titles, marriages, inheritances) to loyal supporters to maintain support



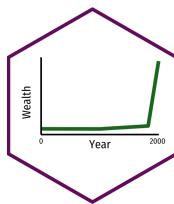
Monarch's Role as Head of Patronage Networks II



- After 1066 conquest, William I the Conqueror claims *all* land in England
- Nobody owns land in their own right, all land is property of the King
 - Of course, King cannot govern entirety of land all the time
 - Nobles retain control over their domains, but nominally owned by King
- Monarchs often reclaim ("escheat") land from nobles who *break* fealty, commit treason, or die without heirs
 - redistribute to loyal elites as patronage



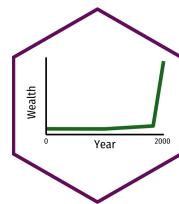
Monarch's Power and Revenue Sources



- Rents from royal lands and forests
- Feudal dues owed from lords and knights (or scutage)
- Monarchs dispensed justice at royal courts (for fees)
- Borrow money (if monarch's credit was good - which was almost never)
 - frequent defaults, expropriation of creditors, expulsions of Jews
- *Some* taxes that could collect *some* revenue



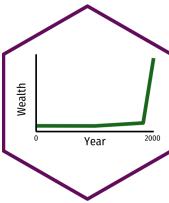
Monarch's Weakness Relative to Nobles



- Medieval warfare is primarily siege and countersiege
- Few pitched battles
- Warfare *favors the defender*
- Very easy for rebellious lords to raise their banners, sit in their castles, and outlast the King's army (or vice versa)
- Pre-artillery, pre-gunpowder

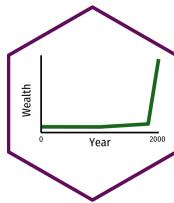


Peasants



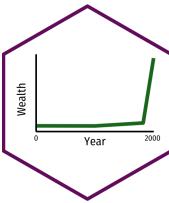
- Most peasants not freeholders - tied to the land of their lord
- A two-way feudal obligation: peasants must stay and work for lord, but lord has a duty to protect peasant; cannot evict or replace peasant without legal cause
- Illegal for peasants to leave one manor for another (or a town), but lords unable to extradite
- Vagrancy laws, suspicion of outsiders and foreigners, the "undeserving poor"

Why Don't the Peasants Revolt?



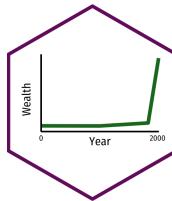
- Peasants outnumber king and lords
 $> 20 : 1$, why not revolt?
- Mass revolution is a collective action problem
 - Public benefits (individual shares small fraction), *very* large private cost (risk of a gruesome death)
- Very high coordination costs: peasant "class" is scattered across thousands of manors (their whole social world), different families, tribes, etc.

The Towns I



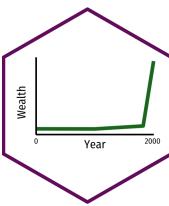
- Proto-capitalist havens
- Genuine division of labor and specialization
- Clusters of merchants, major international trading centers
- *"Stadluft macht frei"*
- An escape for freemen to leave manors and increase their opportunities

The Towns II



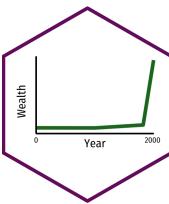
- Late Medieval Ages and "**bastard feudalism**" (see below)
- Revival of international trade through towns and trade fairs
- Production for subsistence → production *for exchange*
- Growing demand for food and labor from countryside in growing towns
- More wealth \implies use of money to "buy out of" feudal dues ("**scutage**")

The Towns III



- Towns became a countervailing force between the monarch and the nobles
- Kings increasingly ally with towns to give them special privileges
 - exemptions from feudal dues or ties to lords
 - self-government: choose own mayor, aldermen, make own laws
- In exchange: Kings get tax revenue from towns' growing wealth

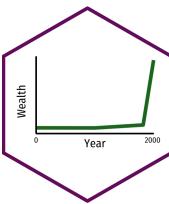
The Towns IV



Free Imperial Cities in the Holy Roman Empire (1648)

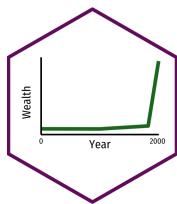
Charter issued by Emperor Frederick II granting "Imperial immediacy" to the City of Lubeck (1226)

The Towns and Trade I



- Rise of commercial institutions from wealth generated by trade
 - banking, credit and debt instruments, merchant courts, *Lex Mercatoria*
- Rise of powerful trade-based city-states in Northern Italy
 - Dominates trade in Mediterranean after Crusades (see below)
 - Intersection of centuries of conflict between Pope (S. Italy) and Holy Roman Emperor (Germany)

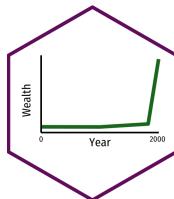
The Towns and Trade II



- Some city-states form leagues to foster and standardize international trade
- Hanseatic League ("Hansa") of Northern German, Baltic, and North Sea city-states

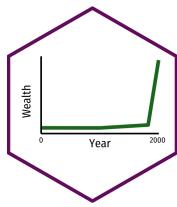
Greif, Avner, Paul Milgrom, and Barry R Weingast, (1994), "Coordination, Commitment, and Enforcement: The Case of the Merchant Guild," *Journal of Political Economy* 102(4): 745-776

The Towns and Trade III

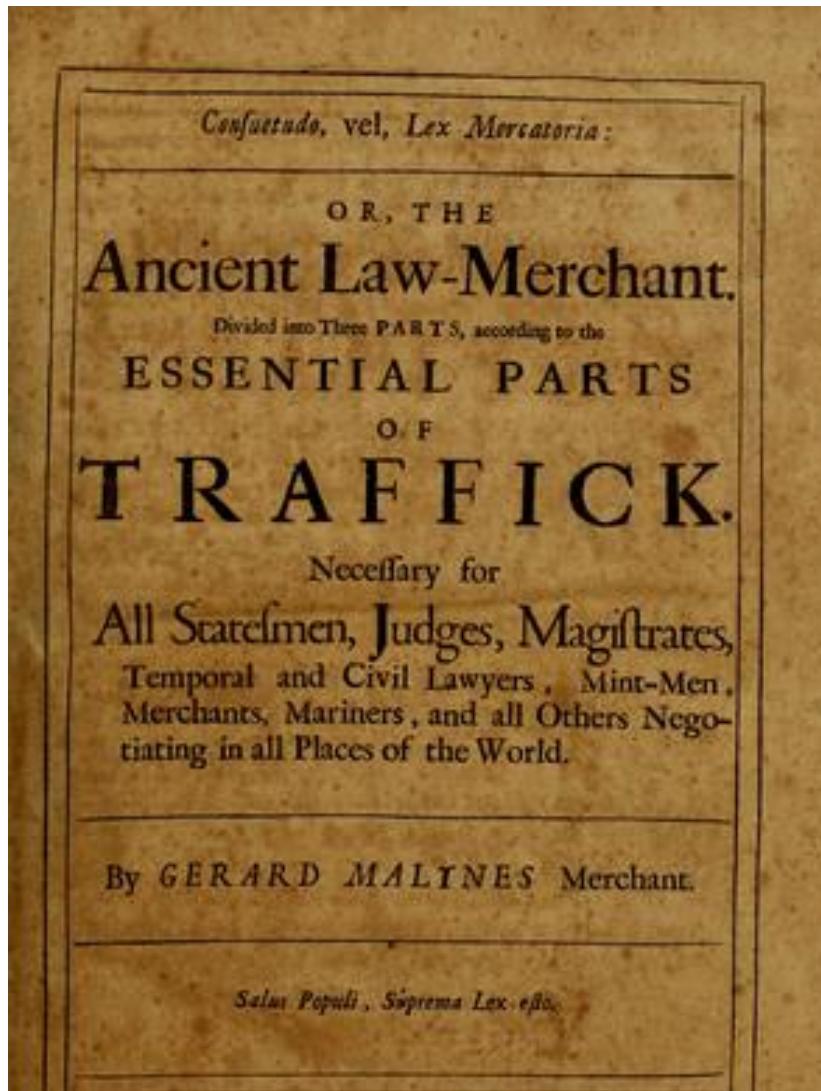
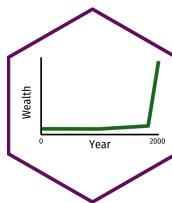


- Towns are dominated by **urban craft guilds**
- Another feudal group with major economic and political power
- Essentially cartels that restrict entry into trades
 - illegal to produce in an industry without being a guild member
 - production, exchange, and prices must be according to guild laws and regulations

The Revival of International Trade (c.1100) I



The Revival of International Trade (c.1100) II



- "Commercial Revolution" of 1100s-1200s
- *International* merchants can't depend on weak and biased States to enforce *international* contracts!
- Merchants adopted their own "laws" and best practices to minimize transaction costs
- For-profit merchant courts emerge to settle disputes and enforce international contracts
 - More efficient, cheaper, and less partisan than Royal courts
 - Legal and jurisdictional competition
- Developed contract law and advanced legal instruments - debt, credit, loans, equity contracts
- This is a major basis of international commercial law today!

Benson, Bruce, 1989. "The Spontaneous Evolution of Commercial Law," *Southern Economic Journal* 55(3): 644-661