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*The Economic History of Byzantium:  
From the Seventh through the Fifteenth Century*

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# The Byzantine Economy: An Overview

Angeliki E. Laiou

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## *The Development of the Economy over Time*

### *Retrenchment and Reorganization (Seventh through Early Ninth Century)*

In the course of the seventh century, the Byzantine Empire found itself in a full-blown crisis, demographic, political, and economic.<sup>1</sup> The crisis had already begun, on all fronts, in the second half of the sixth century, in great part because of the plague and its devastating effects on the demography. These were reinforced by political and military factors, as well as by the fact that the earlier demographic growth had caused a degradation of the landscape.<sup>2</sup> The empire, which had reached a high level of prosperity during the reign of Justinian I, was a very different state and economy in the middle of the seventh century. Some of the richer areas had been lost, while the others remained under virtually constant attack. It has been suggested that the military crisis itself was due to the plague, which undermined the possibility of resistance to Slavic, Avar, Persian, and, eventually, Arab attacks.<sup>3</sup> The crisis was of long duration, lasting until the late eighth century. Labor scarcity in the countryside resulted in a decline in production. The cities retracted in terms of territory, declined in terms of population, and changed their functions, which became linked primarily with security, the transfer of fiscal revenues, and local or regional exchange. Trade and exchange, while they continued, certainly suffered from the decline in production, the general insecurity, and the breakdown of communications over large areas. Monetary circulation became sluggish, and the presence of bronze coins in the provinces is so exiguous as to be virtually nonexistent from the 660s until the early ninth century. Monetary exchanges with areas outside the political frontiers were in significant part noneconomic. The fiscal system was only partly monetized, with taxes collected mostly in kind until 769,

<sup>1</sup> Much of what follows is based on the preceding chapters. Cross-references will be made only when it is not self-evident from which chapter the relevant information is drawn. The synthesis and conclusions are my own and do not bind the individual authors.

<sup>2</sup> See B. Geyer, "Physical Factors in the Evolution of the Landscape and Land Use," *EHB* 42ff.

<sup>3</sup> R. Hodges and D. Whitehouse, *Mahomet, Charlemagne et les origines de l'Europe* (Paris, 1996), 9.

while the army was reorganized in ways that obviated or greatly reduced cash expenditure.

The situation, however, was not as grim as other scholars have suggested, nor did the darkest days last as long. There was, for one thing, Constantinople, greatly reduced in population, to be sure, yet still a center of local, regional, and international trade, whereas smaller centers, such as Thessalonike, Ephesos, Venice, Kherson, Mesembria, and Monemvasia, all, in one way or another, frontier towns or close to the frontier, played a similar role. There were areas of relative prosperity, namely, southern Italy and especially Sicily. The island produced grain and pottery, which it exported to southern Italy. The measures of Leo III, who imposed a poll tax on these areas and transferred certain revenues to the fisc, may reflect this relative prosperity.<sup>4</sup> There were also resistances and transformations, which allowed the economy to overcome the crisis and, when external factors also improved, to expand. Three salient points may be made here. The first is the importance of the state, whose integrative role in the economy persisted until the eleventh century. In the period of crisis, the state recognized and reinforced the reorganization of the economy around agriculture. The effects of the shortage of labor were mitigated by the increased role of hereditary lease contracts. The state structured the command economy, whereby a very considerable part of the surplus (in proportions that varied with time) was appropriated by the state and redistributed in the form of salaries, a system that facilitated monetization in the countryside. In what is perhaps the first sign of impending recovery, the state ordered the payment of taxes in cash, already in 769. Almost fifty years earlier, Leo III had reintroduced silver into the coinage. The simplification of the copper coinage in the eighth and ninth centuries afforded flexibility to the monetary system. It was the state, too, that gave normative force to an ideology that aimed at minimizing social friction by introducing the idea of justice in exchange, which was to have a long future.

The second point is that, nevertheless, we are not dealing with a state that exercised full administrative control over economic life or, even less, that monopolized economic activity. There was, rather, a combination of state action and individual entrepreneurship in regard to the important commodities—grain and silk—while the rural economy was in the hands of smallholders, and the economy of exchange in the hands of sea captains, sailors, and traders.

The third point is that everything became much smaller in the course of these centuries. If the duality of village and estate is a constant feature of the Byzantine, indeed of the Mediterranean, countryside, the importance of estates in this period declined relative to that of villages. Cities became small; ports became small, and so did ships. The trade carried out in them was relatively small-scale, but well regulated by a law code that seems to derive some of its provisions from the experience of the sailors, a hypothesis that would explain its longevity. Investments and profits were also undoubtedly small.

An important observation that emerges from the preceding chapters is that, remarkably, glimmers of a turnaround, though not yet a takeoff, can be seen in virtually every

<sup>4</sup> I am grateful to Cécile Morrisson for this comment.

major economic activity, and they cluster around the end of the eighth century and the beginning of the ninth, the 820s being a convenient point of reference. The indications are less clearly visible in agriculture, yet an improvement in agricultural production must have been there, and an increase in population must have begun in the second half of the eighth century and can be posited for the ninth century. The fiscal system was reorganized under Nikephoros I and became more efficient; monetary circulation shows signs of expansion after the 820s, especially in the Balkans, although less so in Asia Minor; trade, also, seems to have picked up in the early ninth century, and the revival of the cities took place in the ninth century and after. It has to be remembered that the last great outbreak of the plague, and a severe one, was in 747. To the extent that the recurrences of the disease had acted as inhibitors, through the reduction of the population, it is indeed remarkable that recovery, although still fragile, came so early. This fact, combined with the simultaneity of the recovery in various sectors, may be due first of all to the persistence, although at a low level, of monetization and exchange, even of some urban structures, and, second, to a restructuring of the economy that was overall successful. Certainly, one should not suggest that the restructuring was flawless and every measure appropriate: the repeal, by Nikephoros I, of some of the fiscal measures of Empress Irene suggests the contrary, and his own measures regarding lending at interest are neither perfectly coherent nor optimal.<sup>5</sup> But overall, the economic and fiscal restructuring was successful and resulted in the beginnings of a virtuous cycle, in economics as in politics.

#### *The Period of Expansion (Early Ninth to Late Twelfth Century)*

As one might expect, this long period of expansion does not exhibit the same traits throughout, nor did all economic indicators reach the same point in their development at the same chronological moment. Some factors of production are characterized by a long-term upward swing throughout this period and beyond it: such is the case of population. On the other hand, there are important differences within this period with regard to both rate of development and structure.

*Sustained and Restrained Growth (Ninth–Tenth Centuries)* The Byzantine economy entered its expansionary phase much earlier than western Europe.<sup>6</sup> The upward population trend was an important motor factor, as was generally the case in medieval econo-

<sup>5</sup> For these measures, see A. E. Laiou, "Exchange and Trade, Seventh–Twelfth Centuries," and D. Gofas, "The Byzantine Law of Interest," *EHB*.

<sup>6</sup> P. Toubert, "Byzantium and the Mediterranean Agrarian Civilization," *EHB*. According to Ph. Contamine et al., *L'économie médiévale* (Paris, 1993), 139, the chronological development of the western European economy was as follows: Late 7th–8th century: first faint signs of economic and demographic growth in northwestern Europe, followed by some reverses and new signs of growth in the mid-9th to mid-10th century. In Italy, the first signs of recovery come after 850. Mid-10th to early 14th century: period of significant growth. Late 11th century: creation of new commercial circuits and increase in the monetary stocks. The 1180s to early 14th century: great expansion. Mid-14th to mid-15th century: crisis. The authors stress that economic growth had neither the same intensity nor the same chronology in every part of western Europe.

mies based on agriculture.<sup>7</sup> The point has been sufficiently developed in several chapters of this book, and need not be rehearsed again here. The cultivated areas expanded, as did agricultural production. Whether productivity also rose is less easy to determine, although there are indications that there was improvement here too.<sup>8</sup> In any case, the supply of goods seems to have kept up with increased demand, which undoubtedly is a factor both in the absence of frequent or sustained famines after the mid-tenth century and in the price level of cereals and land, at least after the price of cereals had suffered an increase from the sixth to the ninth century. Cities had begun to expand again in the late eighth century, and the revival continued in an accelerated fashion through the twelfth century.<sup>9</sup> The increase of population, the rising proportion of urban dwellers, the increase of production, and the contribution of the state in the form of greater security all stimulated trade, which was active in the ninth and tenth centuries, again following an upward curve that was to continue in the subsequent period.

Constantinople functioned as a great entrepôt of international trade, without losing its importance as a regional and interregional center. Because of the wealth concentrated within its walls, and the effects of the fiscal system, it played the role of integrating the economy of the state. Other urban centers were instrumental in integrating the economy of their region; such is the case of Thessalonike. Provincial cities began to flourish as well. Professional merchants become visible; in Constantinople some of their activities were regulated, but in the provinces they were not, and Byzantine provincial merchants did travel. The image dominant in earlier literature, of the indolent merchant sitting comfortably and waiting for the government to bring him traders and their merchandise from the outside world, is a false one. Important commodities, namely, grain and imperial silks, were subject to imperial interference, and the production of imperial silks took place in imperial workshops, for the most part. Manufacturing began to flourish: most of the information comes from Constantinople, but there is ample evidence from Thessalonike, perhaps Thebes, and places as far away as Kherison. Within Constantinople, the government sought to ensure provisioning and avoid excessive price fluctuations. This meant regulating the mechanisms of certain segments of artisanal production as well as setting a ceiling on the profits of some, at least, of the merchants. As G. Dagron has shown, another important aim of the government was to avoid excessive fragmentation of production and sale as well as the creation of great financial blocks, which would have come primarily from the aristocracy.<sup>10</sup>

The economic system in the tenth century has an outward aspect of equilibrium. This is, perhaps, because the command economy was functioning well and served to create or support a system that appears well integrated. The development of the coun-

<sup>7</sup> D. C. North and R. P. Thomas, *The Rise of the Western World: A New Economic History* (Cambridge, 1973), 10, 25, 35. Cf. also C. M. Cipolla, *Before the Industrial Revolution: European Society and Economy*, 3d ed. (New York, 1993), esp. 3–5, 123ff. For an up-to-date history of the western medieval economy, see Contamine et al., *L'économie médiévale*.

<sup>8</sup> J. Lefort, "The Rural Economy, Seventh–Twelfth Centuries," *EHB* 271–75, 298–99, 307–8.

<sup>9</sup> Ch. Bouras, "Aspects of the Byzantine City: Eighth–Fifteenth Centuries," *EHB*.

<sup>10</sup> G. Dagron, "The Urban Economy, Seventh–Twelfth Centuries," *EHB*.

tryside and the agricultural economy were in the hands of free peasants organized in villages. It has been shown that the village was functioning as a managerial unit in the rural economy and was well adapted to an economy that still had relatively low human resources and was going through a period of relatively slow-paced development.<sup>11</sup> The state drew its resources, in the form of taxation, primarily from the peasant population. It therefore tried to protect the free peasant and prevent the expansion of the large estate; at least, most of the state's actions went in that direction, although there were exceptions. Collecting the tax in gold, the state also paid out in gold the salaries of a large and well-functioning bureaucracy, as well as its other expenditures. Thus it controlled not only the minting of money but also the process of putting in circulation a very considerable proportion of the coin. Money changers were instrumental in making the move from copper to silver to gold.

This system was also supported by an ideological stance that sought a balance between the individual's desire for profit and the social need for stability, fiscal justice, justice in exchange, and the protection of those considered to be "weak" or "poor." The concepts found expression not only in overtly ideological texts but also in state action, both in the protection of the peasantry and in the regulation of profits and crafts, at least in Constantinople. As a result, the economy went through a period of gradual development and prosperity. Both the urban dweller and the peasant could survive on his or her earnings or on his or her production, although in periods of crisis the reserves were insufficient.

Thus the idea of an economy in equilibrium in the tenth century has a good deal of truth in it. However, there were also strong elements of tension. Visible primarily in the countryside, they are expressed through the decreasing resistance of rural structures to the other form of economic organization, the large estate. Here the state played a somewhat inconsistent role, adopting certain measures that hastened the transformation of the system it sought to control. The sale of clasmatic land to individuals helped accumulation, while the state itself was the largest landlord and, under Basil II, organized new lands and clasmatic lands into its own estates.<sup>12</sup> Furthermore, the system described above served some needs well, but also created impediments to further economic growth. In the cities, or, rather, primarily in Constantinople, the rules governing guilds may have kept profits reasonable and prices relatively stable, thus profiting the consumer. They did keep the quality of products high, as the silks and works of art of the period testify. On the other hand, the regulation of profits meant that the merchant must look to low fixed costs and rapid turnover, and reduce capital investments; to that extent, growth is impeded. Similarly, in the countryside, the legislation of the Macedonian emperors aimed precisely at preventing the accumulation of land in the hands of private individuals, whether these were members of the aristocracy or richer peasants who, probably taking advantage of the growth of the agricultural economy, tried to invest their earnings in land. Therefore, this system, which promoted social

<sup>11</sup> Lefort, "Rural Economy," *EHB*.

<sup>12</sup> N. Oikonomides, "The Role of the Byzantine State in the Economy," *EHB*.

stability and favored measured expansion, also placed impediments in the way of rapid growth.

That rapid growth nevertheless came in the eleventh and twelfth centuries is due to a number of factors, first, to the very fact that the tenth-century system was not solid. Second, it has been argued in another chapter that the state was able to adapt itself to the needs of a new era.<sup>13</sup> Third, as growth continued, a point was reached where the agrarian economy responded to the new conditions created by opportunities for profit. Finally, the general prosperity of the Mediterranean and the opening of the western European markets also created new conditions. It is a fact, rarely stressed, that the Byzantine economy responded with remarkable flexibility.

*The Takeoff (Eleventh and Twelfth Centuries)* Over the past few decades, the eleventh and twelfth centuries have been recognized as periods of economic growth, a judgment that goes counter to most of the earlier historiography. The main reason for the earlier perception, held by eminent historians, was that they saw Byzantium from the viewpoint of the state and considered that the military defeats and evident decline of the state in the late eleventh century, as well as the territorial retraction in the twelfth century, were paralleled by a decline in the economy. Instead, it has been recognized that, for the first time in Byzantine history, there was a disjunction between military and territorial developments on the one hand and economic activity on the other. It is also the case that recent historiography tends to place Byzantium into the Mediterranean context, which was one of expansion during this period. Finally, historians now look with a different eye at developments that in the past had been considered negatively: all devaluations had been thought bad, whereas now we differentiate between “devaluations of expansion” and those that result from a crisis; the large estate, once thought to signal and promote the collapse of Byzantium and its agrarian base, is now seen as a factor in economic expansion.

Most sectors of the Byzantine economy experienced accelerated growth in the course of the eleventh and twelfth centuries. The period is characterized by a continuous growth of population, greater urbanization, increased production in all sectors, and the emergence in numerous urban centers of the production of manufactured goods, both luxury products and items of consumption for a middle-level market as well as for mass consumption. Some innovations of a technical order probably affected productivity. It should be noted that these innovations, visible in the eleventh and twelfth centuries, may have been achieved earlier and not registered in the less numerous sources of the times. This is also a period in which free market mechanisms play a much greater role than before. It is worth recalling some of the salient examples of the rise in production and probably productivity.

In agriculture, we find the development of new crops, namely, oats and rye, while

<sup>13</sup> Ibid.

spring wheat, known since ancient times, is mentioned in the eleventh and twelfth centuries.<sup>14</sup> The water mill, present since the tenth century, appears frequently in the sources of the period under discussion. These improvements went hand in hand with expansion into previously uncultivated areas, a general phenomenon in the eastern Mediterranean of this period. Generally speaking, both peasants and landlords participated in land improvement. Polyculture and polyactivity, a feature of Mediterranean agriculture that transcends narrow chronological boundaries, worked well with expanding demand for alimentary products and industrial raw materials: the many varieties of wine and cheese attested in the twelfth century suggest a certain crop specialization (always within the context of polyactivity) connected with the market.

The growth of the agricultural sector took place increasingly within the framework of the estate, which experienced significant expansion, perhaps becoming dominant in the twelfth century. It has been argued in this book that the estate made for better management and for a different approach to agriculture, since land was now seen as profit-producing capital. The land market may have become liberalized, as the protections afforded to smallholders by the Macedonian state were no longer applied. The effects of these transformations, however, were tempered by two facts: the continuing prominence of the state as landlord, and the fact that production and the exploitation of the soil took place in small units, within the estate structure. As far as the role of the state as landlord is concerned, there is, however, fragmentation, with donations of estates to members of the imperial family and with the grant of *pronoiai*.<sup>15</sup>

The fiscal system adjusted to the realities of the spread of the estate by developing practices that, no longer based on the fiscal solidarity of the village community, taxed the wealth of individuals. Whereas the new fiscality may have facilitated the circulation of money, it overtaxed the peasant and undertaxed the privileged estate owner. A policy of privileges benefited public officials, many estate owners, and the Italian merchants; but it had detrimental effects on nonprivileged groups and eventually had negative political and social repercussions as far as the state was concerned.

Urban agglomerations increased in number and size in the twelfth century, with distribution throughout the Byzantine Empire. Estimates of population and details regarding geographic expansion are to be found in the preceding chapters. It is self-evident that increased urbanization was predicated upon higher levels and greater efficiency of exchange and that cities functioned as centers of exchange. More interesting is that cities were also centers of industrial production as, to a much lesser extent, was the countryside. Pottery was manufactured in large quantities and different styles in a number of cities, from Corinth to Kherson; manufacturing was large-scale and catered to both a discriminating market and a luxury one; technical innovations permitted mass production. The fact that local manufacturing of ceramics coexists with the widespread diffusion of certain types is proof of the increase in demand, the in-

<sup>14</sup> Lefort, "Rural Economy."

<sup>15</sup> Oikonomides, "Role of the Byzantine State."

crease in production, and the commercialization of production. Glass was manufactured in Corinth, Constantinople, Sardis, and Tŭrnovo.<sup>16</sup>

As for silk, its manufacture and diffusion were remarkable. Around the year 1000, there was, here too, a technical innovation, with the spread of a more advanced hand loom.<sup>17</sup> More important, however, is the remarkable increase in provincial production in the eleventh and twelfth centuries.<sup>18</sup> Thebes, Corinth, and the small island of Andros among others joined Constantinople as centers of production of silk textiles, the raw materials for which were among the industrial crops mentioned in connection with the agricultural economy. The silk industry sustained economic activity not only in the place of manufacture but also in other areas that produced complementary materials for the treatment and dyeing of silk: an example is Athens, where the production of soap and purple dye was linked to the silk industry of Thebes. The increase in production is linked by D. Jacoby to increased demand, less that of the imperial court and more that of the aristocracy and the urban middle class, both groups with high revenues and an interest in social status. The local aristocracy was involved in the production of silk cloth, and the merchants, Byzantine and then Italian ones, with the diffusion of the cloth within the empire, in Egypt, and in the West.

The Byzantine city of the twelfth century, then, was far from being a mere center of consumption as earlier historiography would have it. While Thebes and Corinth may have been exceptional in terms of the quantity and quality of the manufactured goods they produced, almost all cities for which we have information were centers of production, even when they catered primarily to the local market.

In terms of trade, apart from the increase in activity, certain other salient traits should be mentioned. The first is that the activities of the merchant took place in a climate where the mechanisms of the market were allowed to operate to a much greater degree than before. This fact is reflected also, remarkably, in the emergence of an ideological tendency that gave positive value to profit, recognized interest as the profit of capital, and accepted, even attempted to approach theoretically, the functioning of the free market.<sup>19</sup> Second, the merchants and bankers of the eleventh and twelfth centuries were a large, rich, and powerful group, certainly in Constantinople. Their activities, both in trade and in money changing, extended into the provinces as well as into international markets. Third, their activities increasingly took place within a larger context and in conjunction and eventually in competition with the activities of Italian merchants on Byzantine soil. Apart from the effects of this on the Byzantine merchant, it is important to note that the presence of the Italians both in the Byzantine Empire and in the Crusader states led to institutional innovation: among other things, it led

<sup>16</sup> Bouras, "Byzantine City"; V. François and J.-M. Spieser, "Pottery and Glass in Byzantium," *EHB*.

<sup>17</sup> A. Muthesius, "Essential Processes, Looms, and Technical Aspects of the Production of Silk Textiles," *EHB*.

<sup>18</sup> On this topic, see D. Jacoby, "Silk in Western Europe before the Fourth Crusade," *BZ* 84/85 (1991–92): 452–500.

<sup>19</sup> A. E. Laiou, "Κοινωνική δικαιοσύνη: τὸ συναλλάττεσθαι καὶ τὸ εὐημερεῖν στὸ Βυζάντιο," Πρακτικὰ Ἀκαδημίας Ἀθηνῶν 74 (1999): 103–30; eadem, "*Nummus parit nummos*: L'usurier, le juriste et le philosophe à Byzance," *Académie des Inscriptions et Belles Lettres* (Paris, 1999): 585–604.

to the development of a law of the sea that regulated important matters and applied to all merchants active in the eastern Mediterranean. The Byzantines were among the first to amend the law of salvage in a way that afforded protection to foreign merchants. They also eventually protected the property of foreign merchants who died on Byzantine soil.<sup>20</sup> Thus the transaction costs for foreign merchants involved in international trade were reduced. The Byzantine merchants were not in a privileged position; for them, the lowering of the transaction costs came primarily through the growth of fairs, markets, and the activities of money changers and bankers.<sup>21</sup>

There *was* a crisis in this period in the monetary system. It came in the late eleventh century and was in part the result of the military and political disasters of this unstable period, increased thesaurization, and the reduction in monetary stocks.<sup>22</sup> Both the monetary and the fiscal system were reformed by Alexios I. The great expenses necessitated by the grandiose foreign policy of Manuel I and the disastrous one of the Angeloi, in combination with a fiscal system that reduced the proportion of the surplus appropriated by the state, led to another crisis in state revenues in the late twelfth century.

It is an especially unfortunate and sadly irremediable fact that we have little information about the movement of prices in the eleventh and twelfth centuries. In particular, one would have liked to know the relative movement of the prices of agricultural goods versus those of manufactured products and, of course, the price of labor, which would have allowed us to achieve a better understanding of the adjustments to change. The price of land and cereals may have risen during this period. We do know that the price of capital rose. Interest rates had remained stable since the time of Justinian; in the eleventh and twelfth centuries, they experienced a real, although tacit rise. For one category of borrower, that had been particularly privileged by Justinianic legislation, a rise of 85% is attested. In general, the rise seems to have been in the order of 38% compared to the rates of the sixth century. It is important to remember, however, that with the normal interest rate having risen from 6% to 8.33%, interest rates were still moderate and certainly do not suggest a capital famine. Interest rates are, generally speaking, connected to profit rates; it is therefore likely that interest in the eleventh and twelfth centuries was an “economic” interest, that is, the profit of capital at a time of rising profits. We should recall that in the eleventh and twelfth centuries we have evidence not only for consumption loans but also for productive loans; the merchants are the social group most in evidence as borrowers, although loans were also contracted for the purchase of land.<sup>23</sup>

The Byzantine economy was productive and quite well articulated in the twelfth

<sup>20</sup> A. E. Laiou, “Byzantine Trade with Christians and Muslims and the Crusades,” in *The Crusades from the Perspective of Byzantium and the Muslim World*, ed. A. E. Laiou and R. Mottahedeh (Washington, D.C., 2001), 158–96.

<sup>21</sup> On similar developments in western Europe in the 13th century, see North and Thomas, *Western World*, 53ff.

<sup>22</sup> C. Morrisson, “La dévaluation de la monnaie byzantine au XI<sup>ème</sup> siècle: Essai d’interprétation,” in *Monnaie et finances à Byzance: Analyses et techniques* (Aldershot, 1994), art. 9, 20ff.

<sup>23</sup> Laiou, “*Nummus parit nummos*,” and eadem, “God and Mammon: Credit, Trade, Profit and the Canonists,” in *Τό Βυζάντιο κατά τόν 12ο αιώνα*, ed. N. Oikonomides (Athens, 1991), 283–96.

century. On the basis of all the data and analyses presented in the previous chapter, we have constructed a model of what the economy may have looked like in the early to mid-twelfth century. It must be emphasized here that the model consists of a system of interdependent equations forming a coherent framework within which all the relevant factors are integrated. We believe that the model as a whole represents a plausible picture of the Byzantine economy in the early to mid-twelfth century. If one were to change any one of the individual parameters, one would have to examine the effects of the change upon the other factors, its consequences on the coherence of the model, and the plausibility of the global picture that would emerge.

Table 1  
A Simple National Accounting Model, Twelfth Century

The two fundamental dichotomies that help interpret and check the consistency of hypotheses about the Byzantine economy are as follows:

- (a) The relative weight of monetized vs. nonmonetized production
- (b) The relative weight of agricultural vs. nonagricultural production

The simultaneous examination of these dichotomies takes a two-dimensional matrix form. Based on the evidence in this book, we take the following parametric values:

- (a) Agriculture represents 75% of domestic production.
- (b) Monetization of agriculture is 35%.
- (c) Monetization of the nonagricultural sector is 80%.
- (d) The tax burden on **total** agricultural product is 23%.<sup>24</sup>
- (e) The tax burden on **monetized** nonagricultural product is 20%.

The following scenario ensues:

*Agriculture represents 75% of national product*

	Agricultural	Nonagricultural	Total
Monetized	26.25	20	46.25 ( $Y_m$ )
Nonmonetized	48.75	5	53.75 ( $Y_{nm}$ )
Total	75	25	100 (Y)

#### *Implications*

National product monetization ratio ( $Y_m/Y$ ) = 46.25%

Ratio of nonagricultural monetized product to total monetized = 43.24%

<sup>24</sup> See Oikonomides, "Role of the Byzantine State," and Lefort, "Rural Economy."

Table 1  
(continued)

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*Public revenues from taxation on national product*

Revenue from agriculture:	$0.23 \times 75 =$	17.25
Revenue from nonagricultural sector:	$0.20 \times 20 =$	4
Total		21.25
Burden on total National Product:	21.25%	
Share of revenues from agriculture:	$(17.25/21.25) = 81\%$ .	
Share of tax in monetized agricultural product:	$\{(\frac{4}{5}) \times 17.25\}/26.25 = 52.6\%$ <sup>25</sup>	

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This is an expansionist scenario, since it leaves a considerable part of the monetized agricultural product in the hands of the producer or the landlord. The percentage of nonagricultural domestic production (25%) is consistent with a rate of urbanization equal to or greater than 15%, which is very likely indeed in this period. Trade and revenues from trade play an important role in this scenario, considerably more than is usually implied. The duties levied on transit trade have not been included in the calculations; had they been, the state's revenues from the trade sector would have been higher, since the sources give large figures for the duties collected in Constantinople from such trade. Eventually, some of these revenues would escape the fisc, because of privileges granted to Italian merchants. The scenario also has important implications for monetary circulation, which have been discussed in an earlier chapter.<sup>26</sup>

The Byzantine economy of the twelfth century shares many aspects of the western European economy during the "long" thirteenth century, at least where we have the information to draw comparisons. In western Europe, this was a dynamic period, in which the rapid growth of population led to economic and institutional adjustments. The marginal productivity of labor declined relative to the value of the land, real agricultural wages fell, and the price of agricultural goods rose relative to other products. That price movement we cannot follow in Byzantium, although there are tantalizing indications of a rise in the price of land and wheat. Other parallels can, however, be observed. There were technological improvements in agriculture in western Europe, although they were different from those in the Byzantine Empire. Aggregate productivity in the West rose, because of the increase in trading activities. That, in turn, elicited institutional responses such as more efficient forms of investment, a certain institu-

<sup>25</sup> Cécile Morrisson and I are very grateful to Christian Morrisson and Stavros Thomadakis for their very considerable help in the construction of this model.

<sup>26</sup> C. Morrisson, "Byzantine Money: Its Production and Circulation," *EHB*.

tionalization of fairs and markets that reduced the cost of information, and the early development of banking. Trade and expansion into new lands increased specialization of production. Interestingly for the comparison with Byzantium, it has been argued that trade, while it influenced the pattern of production in manufacturing, did not have sufficient impact on agriculture to offset the impact of diminishing returns to labor. At the same time, the impact of the new conditions on the state was to create a tendency toward a larger state, if one may use the term, and new fiscal impositions, in response to the need for protection and institutional coverage of the merchants over large areas.<sup>27</sup>

The parallels between the West and the Byzantine economy as we have described it in this book are obvious. For one thing, they support our insistence on trade as a dynamic element in the medieval economy, especially in the eleventh and twelfth centuries.

*The "Lost" Thirteenth Century: Byzantium in the Mediterranean Economy (to ca. 1340s)*

While the economy of western Europe was on an upward curve in the thirteenth century, that of Byzantium presents phenomena of disarticulation. Indeed, given the political fragmentation attendant upon the Fourth Crusade, it is difficult to say what, precisely, was the Byzantine economy, at least until 1261. Scholars often focus on Nicaea, undoubtedly because it was the most important successor state and also because the documentation is richer. But there were other successor states, in Greek, Serbian, Bulgarian, and Latin hands. The political fragmentation meant that there was not a single state playing the traditional role of providing economic integration, at least until Michael VIII recaptured Constantinople and undertook the process of recovering lost territories. Instead, we have the emergence of regional economies. This means that the coinage, for one thing, was decentralized, the empire of Nicaea having the most solid monetary system, but with a slightly debased coinage, while foreign coins begin to penetrate Byzantine and formerly Byzantine lands. In Tŭrnovo, Bulgarian coins appear in 1257.<sup>28</sup> There was certainly no unified state fiscal system in the lands formerly Byzantine. There was no unified national market, with the characteristics and protections that were in force in the past. Significantly, the export of gold to the West was permitted after 1261.<sup>29</sup>

Trade still played an integrative role and was increasingly to do so in the course of the thirteenth and fourteenth centuries, integrating the regional economies. But trade was now primarily in the hands of the Italians, which means that the integration took place under their control and served their own interests. Furthermore, the integration was not yet complete in the thirteenth century. Venice held a privileged position during the first half of the century, and its economy entered a period of rapid expansion that would last until the middle of the fourteenth century. But there were strong rivalries

<sup>27</sup> For all of the above, see North and Thomas, *Western World*, 46ff.

<sup>28</sup> Morrisson, "Byzantine Money"; K. Dochev, "Tŭrnovo: Sixth–Fourteenth Centuries," *EHB*.

<sup>29</sup> Morrisson, "Byzantine Money."

with Genoa, which erupted in wars. The volume of trade had not yet reached the high point it would attain in the early fourteenth century, nor, until the late thirteenth century, had the two major Italian maritime cities received, in the restored empire, the full commercial privileges that would eventually lead them to true domination of the trade system.<sup>30</sup> Besides, the reestablishment of Byzantine hegemony in Constantinople reintroduced a strong Byzantine interest in the Black Sea. Still, the string of Venetian commercial colonies was playing an important role in the eventual integration of the commercial economy. It should be remembered that none of this means that the Byzantine merchants were absent from the area. Quite the contrary is true, for they were active indeed.<sup>31</sup> The issue here is, rather, that of the control of commercial activity.

The Byzantine thirteenth century presents the additional problem of poor documentation and thus has not been extensively studied. Nevertheless, some general statements can be made. As far as the factors of production are concerned, it would seem that the population continued to rise. Agricultural production, where we have evidence, that is, in the empire of Nicaea, progressed and was even improved because of the measures taken by the emperors. However, land clearance may have slowed down in the course of the century, and by the end the abandonment of marginal lands may well have started. The indications for a price rise in the early fourteenth century partially result from these phenomena.<sup>32</sup> The urban economy is poorly known. Constantinople suffered greatly from the Latin occupation; its own industries, to the extent that they were tied to the court, must have declined, to revive somewhat under the first Palaiologoi. Sardis benefited from the policies of the emperors of Nicaea, and there is evidence of prosperity and manufacturing of pottery and glass under the Laskarids. But Corinth and Athens declined. Generally speaking, it seems that a number of cities entered a phase, which would continue in the fourteenth century, of either a decline in their manufacturing activities or an integration of these activities into the progressively Italian-dominated trade system. Thus the glass industry of Corinth declined and was replaced by products of the Venetian glass industry, which were even imported into the Romania. Some luxury objects, such as enamels, were replaced by semiluxury ones, miniatures under glass in this case, manufactured in Venice.<sup>33</sup>

The production of silk textiles declined in Constantinople but persisted in places that were under Latin domination, such as Thebes and Andros, and expanded in other areas, such as Euboea, equally under western control.<sup>34</sup> In textiles generally, the cheaper western products began to appear on the market in formerly Byzantine areas; the trend would become very significant in the fourteenth century.

Pottery experienced a notable expansion. The number of workshops and centers of production continued to increase, as did production itself. The introduction of stilts

<sup>30</sup> On all this, see A. Laiou-Thomadakis, "The Byzantine Economy in the Mediterranean Trade System: Thirteenth–Fifteenth Centuries," *DOP* 34/35 (1980–81): 177–222.

<sup>31</sup> K.-P. Matschke, "Commerce, Trade, Markets, and Money, Thirteenth–Fifteenth Centuries," *EHB*.

<sup>32</sup> C. Morrisson and J.-C. Cheynet, "Prices and Wages in the Byzantine World," *EHB*.

<sup>33</sup> A. E. Laiou, "Venice as a Centre of Trade and of Artistic Production in the Thirteenth Century," in *Il Medio Oriente et l'Occidente nell'arte del XIII secolo*, ed. H. Belting (Bologna, 1982), 11–26.

<sup>34</sup> Jacoby, "Silk," 460ff, 467ff, 498.

in the mid-twelfth century permitted the mass production of ceramics, which was undoubtedly stimulated by the existence of numerous markets and the expansion of trade. There was thus a very healthy ceramics industry, with centers in both Byzantine lands (Thessalonike, Pergamon, Serres, Nicaea) and lands formerly Byzantine (Corinth, Thebes, Kherson, Cyprus). Some pottery production was rural, catering to local needs, but most was tied to Mediterranean trade.<sup>35</sup>

In brief, population and agricultural production were not adversely affected by the political fragmentation, but underwent a development similar to that of western Europe in the late thirteenth and early fourteenth centuries. Sporadic demographic problems may indicate the beginnings of a crisis. On the other hand, because of the political changes in the eastern Mediterranean, the economy of exchange and even manufacturing entered a period in which western Europe was expanding, and was eventually able to shape the structures and mechanisms that governed these sectors, at least in part. The Byzantine economy globally was not able to benefit from expanding markets. Thus the thirteenth century has a significantly different aspect in the development of the economies of some western European countries, specifically the maritime states, and the Byzantine lands. It is for all these reasons that the thirteenth century may be termed a “lost” century as far as the global Byzantine economy is concerned.

It was not a “lost” century for the inhabitants of the Byzantine possessions and the Romania generally. Economic growth continued, and society generally was prosperous in the late thirteenth century—certainly more so than in later periods, perhaps more than in earlier periods according to some scholars. It is important to distinguish between the economy on the ground, as it were, and that of an organized political unit.<sup>36</sup>

The reestablishment of a relatively large Byzantine state, with its capital in Constantinople, after 1261, allows us again to speak of a Byzantine economy, operating, now, within the larger context of the Romania and its regional economies. Developments in agriculture may be seen as a continuation of the previous period, with, originally, even some improvement due to the reestablishment of relative security. The population continued to increase, certainly until the early fourteenth century, perhaps until the early 1340s. There were still investments in agricultural activity, and the rural economy was quite well articulated. In the first half of the fourteenth century, the impoverishment of part of the peasant population serves as evidence of the effects of the diminishing returns to labor. It should, of course, be remembered that the impoverishment was also a cause in the expansion of the large estate as well as, in turn, the result of the concentration of some resources, namely, arable land and oxen, in the hands of estate owners.<sup>37</sup> Diminishing returns may have been partly due to demographic factors. However, their impact was mitigated by the existence of a market for agricultural products,

<sup>35</sup> François and Spieser, “Pottery and Glass.”

<sup>36</sup> I am indebted to Jacques Lefort who helped me clarify my thinking on this important issue. While he is more persuaded than I am of the high level of prosperity in the late 13th century, we are in agreement as to the existence of prosperity.

<sup>37</sup> A. E. Laiou, “The Agrarian Economy: Thirteenth–Fifteenth Centuries,” *EHB* 339ff.

both in the Byzantine cities and in the larger international markets. Polyculture served the rural economy well, providing the cash crops for which there was higher effective demand because of more efficient trade networks. Unsurprisingly, there is evidence of investment in cash crops or in *autourgia* on the part of both peasants and landlords. In terms of the organization of production, the large estate increasingly provides the framework. Within it, the economic arrangements of landlords and peasants took various forms, reflecting both the fiscal origin of some of the lands and privileges of the estate holders and the perceived interests of the parties. Exploitation was mixed, with *corvée* labor, day labor, and rent agreements; small-scale exploitation and sharecropping agreements were probably dominant.

In the economy of exchange, there is a double development. The eastern Mediterranean, including Italy, functioned as an international market, with division of labor, efficient techniques of acquiring and disseminating information, widely accepted currencies, and the functioning of supply and demand mechanisms. This international trade system was dominated by the Italians, primarily the Venetians and Genoese, whose merchants had acquired privileges, and who also had established colonies in the eastern Mediterranean. They were the ones who integrated the various regional commercial zones.<sup>38</sup> The Byzantine merchants participated, to some extent, in this long-distance trade, but very much as junior partners of the Italians. The balance of trade between East and West remained deficitary for the West in this period, although less so than in the past. Partly as a result of this, and partly as the result of the lower costs of mass-produced manufactured products originating in western Europe, there was heavy export of bulk products and textiles to the eastern Mediterranean. This, combined with the fact that Byzantine manufacturing enterprises became smaller in this period, led to decline in Byzantine artisanal production.<sup>39</sup> The lack of an industrial base placed the Byzantine economy in a position inferior to that of western Europe.

The second development connected to exchange in this period has to do with regional and local trade. In these markets, although foreign merchants do appear, the local trader, especially the Byzantine one, played an important role. He acted both in his own name, serving the needs of local and regional markets, and as an intermediary for the Italians, eventually serving the needs of long-range commerce. The Byzantine merchant and trader is an important figure in the countryside and the towns of the empire, who shared, although as a junior partner, the benefits from the vitality of exchange in the eastern Mediterranean.

The reversal of the position of the Byzantine Empire with regard to trade and manufacturing from one of primacy to one of dependence may be described as a shift to the periphery of the economy of the Mediterranean, the Italian city-states occupying the core. Paul Krugman, who has created a sophisticated center-periphery model of un-

<sup>38</sup> Laiou-Thomadakis, "Byzantine Economy," 180; Matschke, "Commerce," *EHB*.

<sup>39</sup> K.-P. Matschke, "The Late Byzantine Urban Economy, Thirteenth–Fifteenth Centuries," and J. Day, "The Levant Trade in the Middle Ages," *EHB*; Laiou-Thomadakis, "Byzantine Economy," *passim*.

even development, ascribes to trade a key role in the emergence of differentiated regions, that is, a manufacturing core and an agricultural periphery.<sup>40</sup> He has argued that under certain conditions trade between two regions or countries can result in the concentration of manufacturing in one of the regions and agricultural production in the other. His model suggests that the process of regional divergence is cumulative, and that the region with the initial advantage is more likely to become the core.<sup>41</sup> What happened in the Mediterranean in the course of the high and late Middle Ages was a shift of concentration of manufacturing and trade. It is possible that the comparative advantage of the Italian maritime states and of the western European economy lay in a larger population, larger capital resources, and larger markets than those of the Byzantine Empire. What I am arguing also happened is that trade itself became a mechanism for uneven development.

The restored Palaiologan state played much less of a role than in the past in the structuring of the economy. The first Palaiologoi exercised a relatively heavy fiscal policy, which, however, was impossible to maintain, for it was sapped by the continuing grants of privileges to the church and to laymen. The tax burden on the peasants increased, but the state did not really profit from it.<sup>42</sup> Similarly, at the time of the first two Palaiologoi, the state tried to reinstitute some traditional controls on the economy of exchange and even to place some limits on the privileges granted to the Italians. That policy, however, could not succeed in the face of economic reality; the state did grant substantial privileges both to the Italians and to Byzantine merchants, such as the *Monemvasiots*. Eventually, the markets of the Byzantine Empire and the eastern Mediterranean were liberalized to a degree, to the benefit of the trading population, especially the Italians.

Thus a vigorous economy of exchange was important in integrating the Byzantine economy. However, the integration took place into a larger system, which by its very nature limited and circumscribed the role of the Byzantines, since the initiative and the important mechanisms lay outside their control. As a result, the Byzantine economy of the second half of the thirteenth century and the first half of the fourteenth was vulnerable not only to its own, internal dynamic, but also to the limitations, crises, and inefficiencies of other states and economies.

### *The Last Crisis (1340s–Mid-Fifteenth Century)*

Given the developments analyzed above, there is little left to say about the last hundred years of the existence of the Byzantine state. In the 1340s, a conjunction of factors had catastrophic effects on the population, the agriculture, and the economy of exchange. A combination of endemic wars, the previous expansion into marginal lands, the im-

<sup>40</sup> P. Krugman, *Geography and Trade* (Cambridge, Mass., 1991); idem, *Rethinking International Trade* (Cambridge, Mass., 1994).

<sup>41</sup> Krugman, *Geography and Trade*, 11 and *passim*.

<sup>42</sup> A. E. Laiou, "Le débat sur les droits du fisc et les droits régaliens au début du 14<sup>e</sup> siècle," *REB* 58 (2000): 97–122; Oikonomides, "Role of the Byzantine State," *EHB*.

poverishment of the peasantry, the plague that struck all of Europe, the Ottoman expansion, and the subsequent long restructuring of the trade of the eastern Mediterranean resulted in steep decline. Furthermore, the end of the Pax Mongolica in the middle of the century reduced the economic importance of Constantinople, as the Egyptian outlets for the eastern luxury trade became safer and more lucrative compared to those that depended on the northern and central trade routes from Asia.<sup>43</sup> The acute rivalries between Venice and Genoa, caused by the crisis in international trade, also had negative effects on Byzantium.

Of course, the decline was general in the economies of Europe, where the fall in population had well-known results. Theoretically, the decline in population should have resulted, in Byzantium as in western Europe, in a higher per capita income, the concentration of capital resources in fewer hands, a drop in rents relative to labor, and a redistribution of income in favor of the peasant or agricultural worker.<sup>44</sup>

Indeed, a few of these effects are dimly visible in what remained of Byzantine lands. There was, certainly, concentration of resources into the hands of a few very rich individuals or in the possession of some monasteries. Individuals profited from the upheavals and the opportunities offered at an international level. Land did become cheaper, labor may have gained some bargaining power. However, the “positive” effects of the population decline on those who remained have rightly been questioned in the case of western Europe.<sup>45</sup> It has been pointed out that they were counterbalanced by a decline in specialization, by rising transaction costs in the economy of exchange, and by feelings of insecurity that led to risk-aversion and to conflicts attendant upon the efforts of various groups to redistribute income in their favor. This was much more the case in the Byzantine lands, where political and military events made for extreme insecurity and destruction of resources; that some people made considerable money by running blockades is not enough to offset the dwindling resources and opportunities. Furthermore, in some cases, the most notorious of which is that of Loukas Notaras, the accumulation of capital in the hands of some individuals had mostly negative effects on the Byzantine economy, since the capital was invested outside it, in Italian ventures and institutions. There is thus little light in the bleak picture of the last hundred years, and certainly the weak and impoverished state was in no position to influence the outcome of the crisis.

### *Structures, Potential, Achievements*

The Byzantine economy did not constitute a single system; there are, rather, systems, resulting from the different proportions in the presence of economic factors and the various dynamics they produced. For this was, through most of its history, a mixed economy, including both a large state and smaller enterprises, government guidance,

<sup>43</sup> Day, “Levant Trade,” *EHB*.

<sup>44</sup> North and Thomas, *Western World*, 70ff. For a different approach to these questions, see Contamine et al., *L'économie médiévale*, 350–61.

<sup>45</sup> North and Thomas, *Western World*.

intervention, even regulation and free-market elements, restrictive and nonrestrictive ideologies.

Certain important characteristics and structures derive from long-term factors that were common to medieval systems, especially Mediterranean ones. The primary role of agriculture is a phenomenon shared by most precapitalist systems, with only a few exceptions. This is also the case with the role of population: in these labor-intensive systems, population becomes a most significant factor in the growth or shrinkage of the economy. The dynamic effects of exchange in the structuring of the economy, especially the monetized economy, is a trait shared by medieval European economies.

There are also long-term structures characteristic of the eastern Mediterranean. The climate and the terrain are important determinants of the crops; they also create the physical conditions for the development of polyculture and polyactivity with all that these practices entail. There is comparable land use throughout the eastern Mediterranean, while the complementarity of village and estate is a shared historical experience. Closeness to the sea is responsible not only for the existence of certain high-yield crops, but also for the importance of sea communications in this eminently navigable basin.

The major Byzantine specificities consist in and derive from the existence, through most of the period in question, of a powerful state with the ability and the desire to intervene in the economic process; the relatively high level of monetization and the persistence of exchange are partly due to the impact of the state on the economy. It is not unusual to find, in the literature that discusses the Byzantine economy, the concept of conflict between state mechanisms and market forces and the virtual exclusion of one by the other. It has been argued that Byzantine "protectionism" was good and that it was bad; that it made the glory of Byzantium or that it sapped its dynamism. It has also been argued that the Byzantine economy collapsed because it became open to market forces, or, on the contrary, that the problem was that it never became sufficiently involved in free enterprise. It is time to abandon the simplistic version of such formulations. Indeed, throughout our collective work we have sought to introduce important nuances and changes to the conception of "protectionism," "regulation," and free exchange in Byzantium.

It is the very idea of a quintessential antagonism between state action in the economy and the playing out of market forces that must be modified. Modern development and growth theory recognizes essential functions to both in the process of economic development.<sup>46</sup> Somewhat obviously, the role of government is most clearly perceived and most easily accepted in the areas of security and infrastructure (roads, etc., relevant also for Byzantium) and, in modern economies, health, education, research, and

<sup>46</sup> See, for example, R. Grabowski and M. P. Shields, *Development Economics* (Cambridge, Mass., 1996), 37ff. On neoclassical development theory and new growth theory, see A. R. Barros, "Some Implications of New Growth Theory for Economic Development," *Journal of International Development* 5 (1993): 531–58. See also the interesting remarks on development economics in P. Krugman, *Development, Geography, and Economic Theory* (Cambridge, Mass.–London, 1995). There are, of course, also economists who take a very dim view of government intervention in any but the most minimalist form; for a summary of these arguments, see N. Stern, "The Economics of Development: A Survey," *Economic Journal* 99 (1989): 615.

development. It is somewhat less generally accepted insofar as welfare-improving policies are concerned. Some economists even accept protectionism as having a positive role for economic growth, up to a point.<sup>47</sup> Unsurprisingly, perhaps, some economists argue that government intervention in the economy is positive “until a given level,” and then becomes detrimental.<sup>48</sup> Equally unsurprisingly, it is in the developing rather than in the developed economies that the role of government is seen as potentially more beneficial, although in truth that role is quite substantial in developed economies as well.

For Byzantinists, it is of interest to note that modern economists recognize not only a positive role to government and the market both, but also the limitations of both. Indeed, an interesting list exists of problems that lead to market failure on the one hand and state “failure” on the other, that is, problems inherent in the market and in state intervention in the economy.<sup>49</sup> All these concepts are relevant to our discussion of the Byzantine economy since, in my view, that economy is an excellent example of the complementarity of state action and market activities in the Middle Ages. The form these two elements took and their relative weight in the economic process changed significantly over the centuries, as has been argued in the preceding chapters. I have tried to suggest, in the chronological overview, that the changes followed a pattern of adaptation to new economic conditions, those of growth, accumulation, larger and more open markets, and that they did so successfully at least until the end of the twelfth century, even later in particular segments of the economy. Throughout the same period, there is a consonance between economic ideology, state action, and economic reality. Through the period of slow growth, the state supported those institutions that promoted stability, stability acquiring economic importance in a fragile system: the small producer, the just profit, the just rewards to labor. The period of more rapid growth is concomitant with the infusion of cash into the economy, the engagement of capital through the increase of the interest rates, the liberalization of price formation, and the acceptance (always with some strictures) of the formation of profits through the functioning of the market. Yet even in this period, ideas of justice in exchange remained, certainly in what concerns immoderate accumulation. The remarkable flexibility of state and society in the face of change is one of the strengths of the Byzantine economic systems. The other is that, for a long time, the combination of state action and private enterprise worked rather well, which is to say that the “flaws” of both were contained.

The result was an economy that was relatively well balanced at least through the twelfth century. Its development was measured and, although economic and social inequality increased in the twelfth century, there was no unbridled growth and disparity. The preceding chapters have shown not only that the Byzantine economy functioned rather well, but also that it sustained or provided some of the important needs of people: basic necessities but also a surplus in many cases, relative safety, relatively

<sup>47</sup> Barros, “New Growth Theory,” 552.

<sup>48</sup> *Ibid.*, 543.

<sup>49</sup> See Stern, “Economics of Development,” 616, and the discussion on 616–22.

good communications, even a fairly extensive basic literacy—in brief, a standard of living that compares very well with that of other medieval European areas. Both global and individual income was probably higher than in western Europe of comparable periods, and there may have been less inequality among social and economic groups, at least until the late twelfth century.

There were, also, factors that inhibited the rate of growth. The state, as we have seen, tried to limit accumulation in the tenth century. The size of enterprises was kept small, in the same period. In the twelfth century, the extractive Komnenian government created political disaffection that was to prove detrimental to the state, while its large expenditures eventually produced a fiscal crisis. In the same period, the aristocratization of society revived a mentality that put a low value on merchant activity, and may have kept some of the capital of the aristocracy outside trade and banking. These were all structural and institutional problems that should not be minimized. Nevertheless, as the twelfth century drew to a close, the agrarian economy was thriving, the economy of exchange also, there were credit mechanisms, and manufacturing flourished.

If sustained economic growth consists of the long-run per capita rise in income, it is obvious that no European economy achieved it until the sixteenth or seventeenth century.<sup>50</sup> Neither did the Byzantine economy. The question is whether there were specific reasons that made it lose its coherence. The answer lies in a combination of political and economic factors. In the twelfth century, the state retained a large part of the resources and the power to distribute them, as well as the surplus. Once the state became fragmented, new equilibria had to be found. They took place on a smaller scale, in small political units, the most well known of which and perhaps the most successful being the empire of Nicaea. However, the Byzantine state economy had lost its autarky and had been drawn into an international economic system, under adverse conditions. Thus, while segments of the economy and segments of the population thrived, Byzantium entered the crisis of the late Middle Ages in an already weakened condition. Given the international realities, including the grave military dangers, the state could not play the integrative role of the seventh and eighth centuries, nor was there another mechanism to replace it in this function.

How the Byzantine economy would have developed were it not for the Ottoman conquest, which restored political unity and returned to older forms of economic organization, many reminiscent of earlier Byzantine forms, is an idle question. The differential development of the eastern Mediterranean and western Europe in the early modern period is too great to permit speculation. Nor is the point at issue why the Byzantine economy did not develop into a capitalist one. It is, rather, that, within the limitations imposed by medieval conditions, the Byzantine economy was highly successful for a very long time, supporting both growth and stability.

<sup>50</sup> North and Thomas, *Western World*, 1–2 and passim.