John Munro’s chief contributions to the historical literature on late-medieval and early-modern European economic history

Major fields of research and publications: monetary, price, and wage history; international trade; textile history; and most recently finance, including public finance.

(1) In monetary and price history, I have contributed to the so-called ‘monetarist’ debate about the late-medieval economic contraction or ‘Great Depression’ and the related debate about the ‘bullion famine’ of the later Middle Ages.

In this debate, my arguments to a considerable extent support the ‘negative’ and ‘monetarist’ views of John Day and Peter Spufford (opposing those of Carlo Cipolla and his student Nathan Sussman). But while the other two have focused on a quantity theory of money, and in particular on the supposed outflows of bullion to the Islamic world (the Levant in particular), I have focused much more on the changes in the income velocity of money and what is known as the Cambridge Cash Balances approach; and I contend that supplies a better understanding of the fluctuating cycles of monetary expansion and contraction in later medieval Europe. I have also demonstrated (so I believe, successfully) that the proof of those periodic monetary contractions lie in the correspondingly periodic deflations, which I also demonstrate – contrary to the standard literature – cannot be explained by demographic or other real forces.

My chief publications in this field have been:


‘The Late-Medieval Decline of English Demesne Agriculture: Demographic, Monetary, and Political-Fiscal Factor’, in Stephen Rigby and Mark Bailey, eds., Town and Countryside in the Age of the Black Death:
(2) A related theme, pertaining now to early-modern European economic history, has been to demonstrate that the origins and development of the European Price Revolution, ca. 1520 - ca. 1640, were indeed fundamentally monetary, and not demographic. From the 16th century itself, the quantity theory of money had long prevailed in that explanation, in the form of the influx of Spanish American treasure, an idea most forcibly presented in the early to mid 20th century by Earl Hamilton of Chicago. But after World War II, the demographic school became predominant – and, demonstrating that inflation had begun by 1520, some forty years before significant influxes of Spanish American silver arrived in Europe, they therefore deduced – wrongly, and with bad economics – that population growth was responsible, indeed solely responsible. My work has pointed out that (a) demographic recovery, from very low levels, did not commence in NW Europe until the 1520s, and thus could have immediately produced inflation (not when the population of England and Wales in 1523 was 2.25 million, compared to at least 4.5 million in 1300); and I further demonstrated (b) that dramatic monetary expansion had taken place before the onset of inflation, in two forms: (i) the South German Central European silver-copper mining boom, from the 1460s, peaking in the 1530s (producing far more silver than would arrive from the Americas before the 1570s); and (ii) a veritable financial revolution in negotiability of both private commercial bills and government rentes and other debt instruments. At the same time, despite the preeminence of monetary factors, a wide variety of real factors, including demographic, profoundly influenced changes in both relative prices and the price level (inflation, with deflation after the 1650s).

My chief publications in this field have been:


‘English “Backwardness” and Financial Innovations in Commerce with the Low Countries, 14th to 16th centuries’, in Peter Stabel, Bruno Blondé, and Anke Greve, eds., International Trade in the Low Countries
Another related theme, related in particular to theme no. one, and by far the most controversial, concerns the debate about rising real wages and real incomes after the Black Death. The profession – both in terms of economic history and economics itself – almost universally proclaims a Ricardian model: that the drastic alteration in the land:labour ratio, with the rapid fall in population after the Black Death, must have raised the marginal productivity of labour and thus real wages (while lowering incomes from rents and profits from agricultural land). While pointing that the true formula in Classical Economics is the relationship between the marginal revenue product of labour and the real wage, I have further demonstrated with (I believe) irrefutable statistical evidence for both England and the Low Countries that:

(i) real wages fell, not rose, after the Black Death, and remained below the level attained as a peak in the 1330s until the late 1370s in England, and the 1390s in Flanders.

(ii) the sustained rise in real wages that thereafter ensued, reaching their peak in both England and the Low Countries in the 1460s, was due primarily to the combination of institutional wage-stickiness – that prevented nominal money wages from falling – and widespread deflation. Thus those with the same money wages became far better off with the fall in their cost of living.

Conversely, and for the subsequent Price Revolution era, I have demonstrated that the fall in real wages was not due (or not so much due) to population growth as to the fact that consumer prices, with general infaltion, rose so much more than did nominal money wages.

My chief publications in this field:

Five


[This study is discussed below, in the context of another of my historical themes: the origins of the modern Financial Revolution]

A related, but earlier publication, to be cited is:


(4) Perhaps my major academic contribution has been to offer a fundamentally new interpretation of the medieval history of international trade – particularly the international trade in textiles, and thus also a reinterpretation of the history of the textile industries in both the Low Countries and England, which, however, are also related to monetary history (naturally) and public finance.

My two basic arguments have been:

(a) That the spreading stain of chronic, debilitating, every more costly warfare (and civil strife) throughout the entire Mediterranean basin – in the Western Christian, Byzantine, and Islamic worlds – led to such an increase in both transportation and more generally transaction costs (including protection costs) that: (i)
international trade in cheaper textiles, especially those produced by *price takers* in NW Europe, and exported to the Mediterranean, became unprofitable, indeed quite economic, thus leading to the almost complete disappearance of such northern textiles in the Mediterranean basin, and thus to the virtual disappearance of these cheaper-line textile industries in NW Europe;

(b) and that consequently northern textile producers were forced to re-orient production for export markets to far higher value luxury fabrics, to become *price makers* engaged in monopolistic competition, and thus to produce such woollens completely from the higher grades of English wools, the fundamental requirement for luxury cloths, with wools that were the best in the world, before the improvement of Spanish *merino* wools in the later 15th and 16th centuries

(c) That increased dependence on the finer English wools encouraged the English crown to levy increasingly burdensome export taxes and other fiscal-monetary impositions on the wool trade, which inadvertently led to the rise of the English woollen broadcloth trade (displacing the lighter, cheaper worsteds), whose expansion ultimately crushed the luxury textile industries in the Low Countries, northern France, and Italy – though the victory took a century to achieve as the rival draperies in the Low Countries and Italy (Florence) staved off extinction by convincing the European markets of superior quality, when quality competition prevailed over price competition.

(d) I finally argue that the Low Countries, obeying the Law of Comparative Advantage, survived industrially by switching back to the cheaper, lighter worsted style fabrics, but succeeded only when structural changes in international trade once again lowered transportation and transaction costs to promote a revival and growth in the cheaper-line fabrics (again principally direct to Mediterranean and now New World markets).

My chief publications (of many) are as follows, omitting the earlier ones that were published before I fully formulated these hypotheses


and also:


My last, most recent contribution, has been in the origins of the modern financial revolution: the one that culminated in Great Britain from 1693 to 1752, as a permanent funded national debt based completely on the sale of fully negotiable perpetual annuities (that still trade, to this very day, on the London Stock Exchange as 2.5% Consols). My colleague James Tracy had demonstrated that this financial revolution had actually begun in the 16th century Habsburg Netherlands, and was further refined in the post 1560 Dutch Republic from where it was transmitted (via the Dutch King William III of Orange) to England in the 1690s. My contribution has been to demonstrate that beginnings lay with a dramatic shift in urban public finance, from the 1220s, in northern France and Flanders: from interest bearing loans to annuities, known as rentes, which, in not being redeemable by the citizens who bought them (furnishing funds to the government), and thus with no redemption dates, were not loans and hence were not subject to the usury prohibition. My key point is that this shift began when the revival and intensification of the anti-usury campaign – making usury a mortal sin against Natural Law – was in full swing, after the formation of the mendicant preaching orders (Franciscans and Dominicans).

My chief contribution here has been:


A major additional argument in this contribution is that financing public borrowing, in terms of such rentes, required a form of taxation that was highly regressive: excise taxes on the consumption of vital necessities, in terms of beer & wine (then necessities, not luxuries – given the dangers of drinking bacteria laden water and milk), bread, meat, and textiles, etc. This article demonstrates how heavy was that burden on the labouring classes; and that this burden rose – because of the necessity of financing warfare – when other factors would otherwise have led to rising real wages. In other words, rising consumer taxes virtually cancelled real wage increases during the so-called ‘Golden Age of the Labourer’.

[See the review of this volume, and my contribution: by Julian Goodare (Edinburgh), in *Economic History*...]

...
There is another element to be considered in understanding the origins of the modern Financial Revolution. For that Financial Revolution also required the establishment of full legal protection to creditors in terms of negotiability, since the central criterion of the financial revolution lay in the negotiability of these financial instruments, in secondary markets (e.g., the Amsterdam Exchange, the London Stock Exchange), since annuity holders could never get their funds back from the state (unless the government chose itself to redeem them).

Hence other publications on negotiability are important for this argument, some of which have been listed above, in other contexts:


Finally, my most recent publication, though still in press (due to be published by December 2009), deals with many of the above themes, in both monetary and financial history, and also in commercial history, in the context of the debate over the evolution of modern capitalist enterprise, in this case, in England.


My major thesis here is that though the seeds of modern capitalist entrepreneurship may have been sewn in Tawney’s Century, their germination and development did not take place until the following century, and the one that led into the modern Industrial Revolution: ca. 1660 - 1760. Of course, as one who is primarily a medievalist, I would never deny that the birth of European capitalism did take place the medieval era;
nevertheless European capitalism did undergo very profound changes in the early modern era, especially in the seventeenth century.

A number of my earlier essays in both monetary and textile history have been reprinted in:


I also served as the Medieval Editor for the following:


Please note that all of these publications have but a single author: John Munro. In my department of Economics, virtually all of my colleagues have co-authored publications.