The Negative Example:

Why Germany did not take off in the 16th century

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Germany had everything

If it is true, as classical economic theory claims, that “secure and transferable property rights, dense market networks, and the widespread use of money and credit were essential prerequisites for any dramatic gains in agricultural production”¹ and for “institutional change” to occur, then Germany had everything it needed in 1448 to advance quickly and strongly into capitalism. The property rights of the ruling class were fairly secure and grew infinitely more secure over the next two centuries. Lords could—and did—freely buy and sell land, farms, whole villages, and even human serfs. Germany possessed a dense and vibrant network of market cities, towns, and villages far more extensive than did England—in 1500 Germany boasted 23 cities with a population over 10,000 to England’s five,² and some 3,000 mid-sized and smaller cities. These “middlemen,” or merchants, built a great network that benefited from and was in no small part a product of the excellent trade routes—rivers—that criss-crossed the land.

The German economy, furthermore, was highly monetized long before the mid-1400s, and in the following 150 years the “credit network” grew to towering

proportions. Thus, if the criteria of classical economists were accurate, Germany in 1448 had everything necessary to build the strongest capitalist economy in Europe, indeed, to become the dominant capitalist power of the 16th century. But this is not what happened—England and the little Netherlands took center stage. In Germany, networks shriveled; middlemen went bankrupt.

It has been accurately and authoritatively observed that “the most characteristic difference between society in the Northern Netherlands and that of the rest of western Europe… [was] the absence of a truly feudal past.”3 Conversely, the reason that Germany—and the rest of feudal Europe—did not advance into capitalism in the 1500s is because of the survival of a strong feudal class, which blocked progress.

The dominant position today among historians is that in Germany (a) serfdom declined in importance;4 (b) peasant rents were basically stagnant during the period 1450-1600,5 (c) the population of Germany continued to grow until the onset of the

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5. See, e.g. Sreenivasan, “seigneurial reaction was an abysmal failure…. The outcome…was a generalized improvement of the status of the peasantry in the century before the Peasants’ War,” and “the long-term improvement of ground rents is now widely accepted,” in Govind Sreenivasan, “The Social Origins of the Peasants’ War of 1525 in Upper Swabia,” Past and Present 171 (May 2001): 45, 50; “the burden of seigneurialism had risen only slightly, from 20-25 percent of the harvest in 1544 to 26-30 percent in 1621” Sreenivasan, Peasants, 140; David Warren Sabean, “The Social
Thirty Years War in 1618, and (d) the economy also continued to grow until the beginning of the war (although there are a number of dissenting voices on this latter point, based more on hunch than on data, however). Most importantly, the prevailing position is that the Thirty Years War was the cause of the decline in Germany’s demographic and economic situation, which previously was doing well. My research has uncovered that in fact (a) serfdom became increasingly intense in the course of the century and was the beachhead from which the entire working population was reduced to the status of subject; (b) peasant rents and debt soared throughout the century; (c) the overall economy was probably stagnant from 1450 and was declining by 1550, a decline that sharpened around 1600; and (d) the population followed the downward curve of the economy. The decline began long before 1618; indeed it was reaching crisis proportions in the decades before the war. The Thirty Years War was not the cause of Germany’s decline; it was a result of the sharpening social tensions that grew out of Germany’s economic decline.

**Serfdom—control over labor**

The initial reaction of most feudal lords in the face of the population collapse after 1348 was to try to shore up their falling revenues by squeezing more out of the remaining peasants and to step up their robbery from each other and from the urban

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merchants. The accelerated warfare and plunder that ensued made the countryside an even more dangerous place to live than before. Famine and disease followed on the heels of the never-ending noble warfare. The population fell drastically, perhaps by as much as one third across western Europe; a labor shortage and higher wages followed. Many a farmer realized that he could live better—or at least more safely—behind the protective walls of a city. The south German city of Memmingen’s city code of 1396, for example, like that of many cities, included a section “To Abolish Serfdom” that eliminated the right of rural lords to reclaim runaway serfs if they managed to evade their lord’s attempts to hunt them down them for a year and a day.7 Cities encouraged this rural flight, as they too craved additional labor for their craft production and economic growth. Thus peasants found important allies in the cities, who were also battling the feudal lords.

The political power of the lords weakened considerably under the impact of these many pressures, and the toilers were able to take advantage of this to reconquer important rights. Significant numbers of those peasants who remained on the land also won their freedom from serfdom, manors were broken up again into individual farms, and many farmers won inheritance rights to their farms. This meant that farmers also were able to hold on to a greater portion of the wealth they created. Production picked up and, to the extent possible despite ongoing feuding by the many lords, the overall

7. “Rechtsbuch der Stadt Memmingen, Anno 1396,” section 7, paragraph 4, “Vmb aigen lut vff zetriben,” in Max von Freyberg, Sammlung historischer Schriften und Urkunden, (Stuttgart and Tubingen: Cotta’schen Buchhandlung, 1836), 5:270 (XVII.4). This legal code from 1396 is the oldest surviving legal code from this city, but for the most part is simply a restatement of “old custom.” See also Claudia Ulbrich, Leibherrschaft am Oberrhein im Spätmittelalter (Göttingen: Vandenhoeck & Ruprecht, 1979), 264.
economy picked up momentum. Many and perhaps all serfs in south Germany had the right freely to migrate and to marry outside the lord’s cohort of serfs. ⁸ This growing freedom and confidence of the peasants, combined with the rising power of the cities, posed a potential threat not only to the feudal lords’ pocketbooks, but to their very existence.

**Second serfdom**

**Renewed offensive**

The wars that escalated after 1348 were aimed in no small part at resubordinating and plundering this increasingly restive peasantry. As one observer explained bluntly at the time, “Today all wars are against the poor working people, against their holdings and goods.” ⁹ The conflict between the feudal lords, on the one hand, and the urban merchants and their peasant allies on the other came to a head in south Germany in the first Cities’ War of 1377-89 and again in the second Cities War of 1449-50; both times broad alliances of south German cities went down to defeat.

These defeats brought to heel an important former obstacle to political domination by the feudal nobility and also effectively eliminated the urban merchants as allies of the peasants in the fight against the feudal lords. The peasants faced an increasingly united front of the urban merchants and rural feudal lords. The offensive against peasant rights accelerated after 1450. The break with the forms of serfdom that

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existed before 1348 was so significant, and the form that serfdom took in the 1400-
1500s was so much more intense than it was previously that this new incarnation has
been labeled the “second serfdom.”10 As the lords once again consolidated their control
over the producers, production again stagnated.

Serfs could be bought, sold, traded, used as collateral for loans, and granted out
for someone else’s use.11 In 1436 the Poor Needy Foundation—the agency of the city
council of the mid-sized south German city of Memmingen that administered the
surrounding countryside—drew up a list of its serfs in all its villages. If this is a
complete list, the foundation at that time owned only 40 adult serfs; by 1573 it owned
over 800.12 In part this reflects population growth and the acquisition of more villages.
But this increase also reflects a determined drive on the part of the foundation and other
area lords to enserf a broader layer of the peasant population.

The 1396 codification of the “year and a day” rule had encouraged rural toilers
to flee their lords for the cities. But the “year and a day” rule disappeared from the city
code by around 1500. Instead, the new code specified that serfs had to purchase their
freedom from their lords and show proof of this before they could be considered for

10. See “Engels an Marx,” 15 December 1882, and 16 December 1882, in Karl Marx and Frederick
phase of serfdom” in Engels to Marx, Karl Marx and Frederick Engels, Collected Works
(Moscow/New York: Progress Publishers/International Publishers, 1975-(ongoing)) (cited here as
MECW), 46:400.
Ulbrich, Leihherrschaft, 298. See also 1525 article by peasants of Stühlingen protesting the lord’s
power to sell them. Tom Scott and Bob Scribner, eds., The German Peasants’ War: A History in
burgher rights. A similar evolution took place in cities across south Germany. Whereas previously city law encouraged rural flight, undercutting serfdom and thereby the power of the feudal lords, now it participated with rural lords in restricting the mobility of farmers, reinforcing serfdom and feudal power. Across south Germany lords were driving to reenserf the farmers in the years leading up to the Peasant War of 1525.

These actions by the urban merchants—imposing and reinforcing the restrictions on peasant labor that served to strengthen the feudal mode of production against the urban merchant class—reflect the defeats of 1389 and 1450. It also shows the increasingly porous nature of the class boundary between the wealthy urban burghers and the rural nobility and the extent to which by this point the wealthy urban burghers fraternized and collaborated with and ultimately capitulated to the interests of the nobility. In so doing, the urban merchants so compromised and diluted their separate interests, and reinforced those of the nobility, that they paved the way for their own defeat when the showdown between the nobility and the urban merchants came in the second Cities War of 1449-50 and guaranteed the defeat of the Peasant War of 1525—the broadest uprising in Europe prior to the French Revolution. These were the decisive battles that ensured that Germany would not follow the path of England and the

13. ASA RML MüB 10, fols. 26r-26v. This article is included in the 1488 collection of laws but was written in a different handwriting than the bulk of the text and appears to be a later amendment, probably from around 1500.
Netherlands into capitalism, but rather would continue to stagnate in the feudal swamp for centuries to come.

In the Memmingen area, as elsewhere, the records concerning serfdom thicken quickly around 1400, suggesting a sharp change. The process by which serfdom was extended to broader layers of the peasantry and became increasingly strict is well illustrated in the village of Woringen. When Marshal Haupt von Pappenheim in 1417 sold most of the village of Woringen to Rudolf Möttelin, a burgher of the city of Ravensburg, the sale included the serfs—24 men, 16 women, plus, in at least 20 of these cases, “their children,” or “half their children.” (When the parents belonged to different lords, these lords typically split the children between them.) Harsh collective fines were imposed on the villagers if any one of their number should attempt to escape or even go shopping for a more lenient lord: “we will not estrange nor remove our selves nor our farms to any other lordship”. By 1577 the village belonged to the Poor Needy Foundation; there were 131 adult and 211 child serfs (figure 6.1).

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16. MM A 101/1; D 78/2 (5 October 1417).
17. Aug MM U 1375 (12 September 1421). At 1421 exchange rates, 100 gulden were worth about £125.
18. ASA RMA 130; MM D 78/2; MM D Bd. I/33, [nn, early in book], 258v-260r (1516); MM D Bd. I/75 fol. 203v-253v (1577).
When the Poor Needy foundation bought the village of Dickenreishausen in 1472, the bill of sale listed the occupants and rents paid by the tavernkeeper, the village livestock herders, and an additional 21 farmers—23 economic units in all. Most of these people would have been married, so with their spouses they would have numbered 40 to 45 adults. Included in the sale of the farms were the serfs. Out of 23 economic units with 40-45 adults in the village included in the 1472 sale, only one man, one woman, and three groups of children were serfs. Clearly, the vast majority were still free at that time. By 1573, however, there were 48 adult serfs in the village, which by then

19. MM A 101/1 (1417 Kaufbrief); MM D Bd. I/33, fol. n; ASA RMA 130; MMD Bd. I/33, fols.[nn], 258ff; MM D 78/2; MM D Bd. I/75 fols. 203v-253v.
20. MM D 36/2 (7 February 1472).
numbered 30 economic units, a significant increase in number and proportion of these villagers who had been reduced to serfdom. Most of this increase, furthermore, occurred after the foundation took control in 1472.

Similarly, the number of adult serfs in Steinheim grew from 33 in 1448 to 47 in 1484 to 50 in 1519 to 59 in 1577 (figure 2).

**Figure 2. Adult serfs in Steinheim**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of adult serfs</th>
</tr>
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<tbody>
<tr>
<td>1448</td>
<td>37</td>
</tr>
<tr>
<td>1484</td>
<td>43</td>
</tr>
<tr>
<td>1519</td>
<td>50</td>
</tr>
<tr>
<td>1577</td>
<td>59</td>
</tr>
</tbody>
</table>

1525—the Peasant War

Even at the height of the bitter battle to reimpose serfdom on the peasantry in the early 1400s, the moral depravity of claiming ownership of another human being was recognized—by some. The most well-known reform tract of the 1400s, “The Reformation of the Emperor Sigismund,” drafted probably around 1438, thundered “It

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21. MM D Bd. I/43 (1573 rent register); MM D Bd. I/75 (1573 serf list).
22. MM D Bd. I/077 (1448); MM D 23/1 (1484); Bd. I/265 (091C) fol. 1r-2v (1519); MM D Bd. I/75 (1577).
23. MM D Bd. I/077; MM D 23/1; MM D Bd. I/265 fols. 1r-2v; MMD Bd. I/75.
is an incredible outrage that there should be in Christendom today a state of affairs where one man may say to another, before God, ‘You are my property!’ as though we were pagans…. Nowadays even members of the clergy own serfs. And these are men who ought to be God’s shield, and show the rest of us the right and truthful way!”

Of all the indignities and burdens imposed upon farmers in the early 1500s, serfdom was the most hated. Some 90 percent of the villages and territories involved in the Peasant War of 1525 demanded an end to serfdom or its key attributes, such as marriage restrictions, recognition rents, and death taxes. But the Revolution of 1525 was defeated, and serfdom continued to grow more intense in Germany.

**Restrictions on mobility**

This second serfdom included onerous restrictions on mobility. Serfs who wanted to move away from their village had to purchase their freedom from the lord and obtain a freedom letter showing that they had done so. By the mid-1500s, even free persons had to obtain such letters, as the assumption would otherwise be that they were runaways, and the cities were now participating in enforcing the private property rights over humans of the feudal lords. In August 1539 Appolonia Rabussin of Steinheim wanted to marry a man in Erkheim, which did not belong to the foundation. At the time, formal ownership of the “Imperial Lordship of Erkheim” (a single village) was divided

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among four lords, while actual ownership of the various farms and rights was splintered among many more. Appolonia was allowed to purchase her freedom letter from the foundation for £7.

As the century wore on, fathers were expected to exercise increasingly dictatorial control over their wives and children. This control, however, was never allowed to cut across the lord’s direct control over these offspring. In 1557 Baltus Schalck held one of the larger half farms in Steinheim. He had a daughter, Helen, but as a serf she was the property of the foundation. He “purchased his daughter, who had been the foundation’s serf, with five gulden coin.” Presumably, she wanted to marry a man belonging to another lord, so her father had first to buy her freedom from the foundation. Barbara Glantzmann of Steinheim was already free, as her mother had been free. But she wanted to marry a man in a village in Kempten territory and apparently that lord wanted proof of her status, so she too came before the lords for a letter.

Those coming into the territory went through the reverse process. In 1572 Jerg Haug appeared before the trustees asking permission to marry Veronica Veuchin. This was granted, provided that she showed a letter proving that she did not belong to any other lord and that she then submit to the serfdom of the foundation.

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27. MM D Bd. I/266, 93v. As everywhere, the cash amount is here expressed in the equivalent in pounds heller, but in the documents payments for buying oneself out of serfdom was always listed in gulden.
28. MM D Bd. I/266 (Steinheim, 13 January 1557), fol. 228r.
29. MM D Bd. I/266, fol. 261r.
30. MM D Bd. I/267 (Steinheim, 4 October 1587).
Control over all

Control over the movements of serfs provided a starting point from which the lords were able to impose effective control over the mobility of all subjects, serf and free alike. One aspect of this control appeared in a 1519 village ordinance, “No one shall allow any foreign person to stay in their house longer than three nights without permission of the lordship, on a £2 fine for each offense.” By 1552 the three nights had been reduced to one, and by 1619 the fine had been raised to £3.5. A “foreign person” was anyone from outside that village, indeed anyone from outside one’s own house, even one’s own children after they married. In 1555 Hans Jung, a teamster in Woringen, was permitted to remain in the village until the Four Days of Easter. He was warned, however, that his stay would not be extended after that date. In January 1559 Jorg Renner of Heisteig and Barbel Neerin of Dickenreishausen were permitted by the “honorable council” to live in the latter village—for half a year. Then in August Renner’s time was extended until Candlemas (2 February). In the meantime, he was instructed to look around, and “to conduct himself as if every day his time might expire.”

At this stage, farmers needed permission from the foundation trustees even to allow their own grown children to live with them. In 1562 Schieffen Miller of Dickenreishausen was permitted to take on as farm hands Christofel Wegman and Elisabeta, his own daughter “as long as they both behave themselves,” the foundation

32. MM D Bd. I/266, fol. 221v.  
33. MM D Bd. I/266, fol. 247r; 254r.
trustees warned ominously. That same day Baltus Miller’s son Deus—of
Dickenreishausen—and his wife had to ask for permission to live in the village. This
was granted, “but only upon his and his wife’s good behavior.” In early 1566 Apla
Rabussin “was permitted by an honorable council, trustee, and farm master to remain in
Steinheim and to live there, as long as she behaves well and it suits the council, trustees,
and farm master. But after her death her heirs or children are to be expelled from
Steinheim.” As long as she behaves well—the noose of social control grew ever
tighter.

In 1625 Hans Fackler of Steinheim and Hans Gaugger each were fined for
having committed the crime of having allowed travelers into their home for longer than
the allowed time. This ordinance did not apply only to serfs—it applied to all.
Gaugger was a serial offender. Besides having been fined for the crime of offering
hospitality to travelers and for having failed to haul wood as he had been instructed, in
1624 he had been fined £2.625 simply for “disobedience” and for his wife having glared
at the lord’s agent. Hans was not the only belligerent one; at about the same time Hans
Fischer of Dickenreishausen was fined £0.875 “because of his bad conduct and his
contempt for the farm master's orders.” At this point, even allowing your hatred for
the lords to show on your face was punishable by fine.

34. MM D Bd. I/267 (23 September 1562).
36. MM D Bd. I/174 (Frevel vnd Buoßen, fol. 291 and following; 1625).
37. MM D Bd. I/174, (Frevel vnd Buoßen (fol. 291-), 1624).
Milestone

Memmingen was not alone in extending and intensifying serfdom during this period. The proportion of householders who the abbot of the Ottobeuren monastery reduced to serfdom nearly tripled in just 64 years from 35.2 percent in 1564 to 93.5 by 1628.38 The argument that serfdom declined in importance is not completely inaccurate, but the wrong conclusions have been drawn from this fact. Serfdom ceased to the unique, outstanding attribute of servitude, standing in sharp contrast to those who were still free, not because servitude declined in importance—on the contrary, it grew deeper—but because freedom declined. The serf status of some was used by the lords as a beachhead from which to extend a state of servitude to the entire rural population. The previously sharp distinction between serf and free faded in importance, the real condition of serf and free became almost indistinguishable because all were reduced to the serf-like status of “subject.” Even those at the bottom of the village social ladder who were not formally enserfed were the unfree free, enchained not by the formal status of serfdom but by the other many restrictions on their liberty; they were free to starve. So it was not serfdom that disappeared, but freedom.

Control over land

As the feudal lords tightened their control over the persons of the productive peasantry they also deepened their control over the land. Over time, the rights that farmers had to their land were reduced from a variety of forms of tenure around 1450, including many inheritable, to one life or less by the mid-1500s. This “one life” tenure

38. Sreenivasan, Peasants, 144.
left surviving widows and children with no rights to remain on the farm, completely at the mercy of lords; they could be expelled “upon the hour.”

Control over the land also provided the lords with a powerful weapon of social control, in addition to serfdom. In 1525 Bartholome Salb’s son Hans and his wife were granted permission to move onto his farm. Hans was to “behave himself and when his father departs in death he shall vacate the farm within the hour.” Behave himself. Hans probably was already living at home with his father, but the moment he got married, he and his new wife became a separate legal entity and needed to ask permission to continue living in his father’s home—permission that could be granted, or denied. When his father did die, Hans might well still get the farm, or not, depending upon whether in the intervening time he had proved to the lords that he would pay his rents in full and on time, and conduct himself in a sufficiently servile manner.

In March 1555 Jerg Fackler of Steinheim, accompanied by the village headman, came before the foundation trustees and farm master to request that he be granted the farm that his father, now deceased, had worked. This was granted provided that Fackler and his wife “both shall surrender themselves to the monastery.” This became standard—in order to get a farm, the farmer and his wife both had to submit to serfdom.

Of all the restrictions that the semi-slave condition of serfdom entailed, “the most significant legal consequence of unfreedom was the restriction on marriage

39. MM D Bd. I/266, fol. 8r; emphasis added.
40. MM D Bd. I/266 (Steinheim, 21 March 1555), fol. 218r; see also MM D Bd. I/266, fol. 216r (Dickenreishausen, 16 May 1555).
Harsh and invasive controls over sexuality and marriage were imposed over the course of the 1500s to strengthen the lords’ control—through inheritance—over property and people. Whereas marriage and sexuality were all but ignored in Memmingen’s legal codes prior to the 1525 uprising, these topics comprised more than half the penal sections in the 1532 code. Urban and rural lords of each of Germany’s hundreds of tiny sovereign entities imposed conflicting protective market and judicial restrictions on trade and production; the public school system was vastly expanded into the countryside—to teach the importance of obedience—the same sermon the peasants heard from the pastors on Sundays.

**Soaring rents, debt**

Securing their “property rights” over the labor and the land put the feudal lords in a position to maximize the wealth extracted from them. Rents soared, and close on their heels, so too did peasant indebtedness.

In Steinheim, grain rents rose by more than one-third; cash rents more than five fold, entry fees more than ten fold, and so forth (figures 3 and 4). And these do not include other burdens, including wine and war taxes, that also increased considerably. By early 1570s, rents, taxes, and debt took about 60 percent of the farmers’ production in average year and 80 percent in a year of poor harvest. Debt per jauchart of plow land increased by factor of 250 between 1448 and 1615 (figure 5).

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42. Compare, for example, the legal codes of 1396 (in Freyberg, *Sammlung*, 239-324), 1460, and 1488 (in ASA RML MüB 10).
Figure 3. Rents in Steinheim 1448, 1573, 1620

Figure 4. Entry fees collected by the foundation

Figure 5. Debt on two farms in 1448 and 1615

<table>
<thead>
<tr>
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<th>Endras 1448</th>
<th>Pfadler 1615</th>
<th>Factor increase</th>
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<tbody>
<tr>
<td>Debt (£)</td>
<td>0.83</td>
<td>1023.75</td>
<td>1,229</td>
</tr>
<tr>
<td>Rye value of debt (mutter)</td>
<td>0.76</td>
<td>79.48</td>
<td>105</td>
</tr>
<tr>
<td>Debt per jauchart plow land (£)</td>
<td>0.0178</td>
<td>51.19</td>
<td>2,980</td>
</tr>
<tr>
<td>Debt per jauchart plow land (rye value)</td>
<td>0.01567</td>
<td>3.97</td>
<td>254</td>
</tr>
</tbody>
</table>
Declining production

In sharp contrast to feudal Europe, agricultural production in England more than doubled 1520-1650. Agricultural production in the Netherlands leapt 80 percent between 1500 and 1650. In both countries, small farmers played a decisive role in the initial take-off. But the victories of the lords in 1389, 1450, and 1525 closed the door to advancing the economic integration of Germany, so the farmer’s most important markets—the cities—stagnated and shriveled. The once-mighty Hansa disintegrated—dismantled primarily not by Dutch and English seamen, but by local feudal lords. The increasingly crushing load of rising rents and taxes drove the farmers to overwork the land—and themselves. Agricultural production stagnated by the late 1400s and was declining by the late 1500s. The stagnation in agricultural production in Germany paralleled that in those countries in Europe that were still stuck in the feudal mode of production, and contrasted sharply with those that were making the transition to capitalism. Although the timing varied slightly, the available evidence on agricultural production from France, Spain, Hungary, Poland, and Switzerland for the period 1450-1560 indicates trends similar to that in Germany for this period.

Falling population

Birth figures from one village and several cities in the region track the curve of agricultural production closely. Population was stagnant at least by mid-century, and was falling by 1600. Once again, contrary to what is currently claimed by most historians, the population clearly did not continue to rise until the Thirty Years War, and
the war was not the cause of the reduced number of births—which had begun decades earlier.

**Conclusion**

The victories of the feudal lords of Germany in the two Cities Wars and in the Peasant War of 1525 subordinated the cities and peasants and put the feudal lords in a position to resolve the much-discussed late fifteenth-century “crisis of feudalism” in their own favor. In Germany, the farmers were bound hand and foot by the chains of serfdom and were bled dry by crushing rents and taxes. This closed the door to escaping feudalism, as the inventive spark necessary to ignite this transformation was smothered under the increasingly heavy web of social control and economic exploitation that the lords imposed upon the productive peasantry. The initial take-off depended upon farmers being sufficiently free economically and personally to be able to engage in experimentation, invention, and thereby to increase production. Thus the success of the German lords in reimposing and tightening serfdom and guild restrictions was the reason why capitalist industry not only did not, but could not develop in Germany during this period.49 This, of course, only opened the door to the next crisis of feudalism in the early 1600s. The Thirty Years War was the result of the deepening economic crisis in Germany.

In 1448 Germany had everything that classical economic theory claims is necessary to build the strongest capitalist economy in Europe. Everything, that is, except the most important—the burghers did not have state power; indeed, they did not really even have a state worthy of the name, as Germany in 1448 was still divided into a
thousand feudal splinters. Whereas the burghers controlled some of these splinters, they did so huddled behind protective city walls and moats, such as had Memmingen. Whenever they ventured out into the countryside, along one of these many trade routes great and small, they were open prey for the feudal lords who still controlled the countryside and who held the peasants in serfdom. This latter point is critical, for without the creative capabilities of the peasants, the next necessary revolution in agriculture, upon which the next stage of urban growth depended, could not happen.

“Institutional change,” that is, the revolutionary transformation from feudalism to capitalism, was possible in the Netherlands and England because the bourgeoisie and the peasants had defeated the feudal lords in bitter combat, seized power from them, overcome feudal splintering, and unified their countries into nation-states. The peasants, together with their allies among the working people in the cities, had won enough freedom to be able to breath, experiment, and invent better ways to organize production. But in Germany events took the opposite course; the burghers were defeated in the first Cities War of 1377-89 and in the second Cities War of 1449-50, and when the peasants rose up in 1525, they too were defeated. The victors were the feudal princes. These defeats meant that Germany remained mired in the feudal swamp for another three centuries and more.