Chapter 1
Hanse History and Economics –
a New Institutional Economics Perspective
on Hanseatic Trade

Points of Departure

This book is about the Hanseatic trade system and its institutions, which were invented, used and further developed by the merchants of the Hanse for their commercial exchange. We are not giving a comprehensive historical description of the medieval Hanse. Indeed, what we are aiming at is instead the explanation, on the theoretical grounds of institutional economics, of both the specific structure of this trade system and the mechanisms deployed to coordinate economic activities within it. This book can, and should, also be read as an attempt to mediate between two sciences. We attempt to describe and explain the structure and function of the late medieval Hanse and the commerce of its merchants by using economic theoretical concepts, namely from New Institutional Economics. Therefore, the book solicits understanding between the disciplinary cultures of medieval historical research and modern economics. It thus falls “between two cultures”, a very conscious positioning which follows the economic historian Carlo M. CIPOLLA, who sees economic history exactly there; between historical research and economics.\footnote{Cf. CIPOLLA 1991; PIERENKEMPER 1995.} CIPOLLA’s reasoning is that, for economic historians, taking a position between these two cultures creates an exceptional opportunity to profitably function as interpreters between two very differently structured fields of research. However, not all historians feel safe in this position or role, but instead experience a strange inner strife. For instance, recent discussions concerning the purpose of economic history in Germany bear witness to this specific problem.\footnote{Cf. TILLY 1994; AMBROSIIUS (ed.) 1996; SCHREMMER (ed.) 1998; BERGHOFF / VOGEL (eds.) 2004; SCHULZ et al. (eds.) 2004.}
When modern economic theory is applied to medieval history, there is always the potential risk that the result of such an undertaking might be appear like the moderation of a dialogue between the audibly impaired. It would, therefore, seem imperative to elucidate the concept of this book and our viewpoint. It is founded on two assumptions: firstly, the argumentation is based on the idea that the economic dimension is of key significance in understanding the medieval Hanse. This consideration might sound banal, but what is elaborated in the first section of this chapter is not as self-evident as it would or should seem. A careful analysis of the economic dimension of the Hanse should, and this is our second assumption, be organised as a fruitful exchange between historians with an economic interest and economists with an interest in history. Economic approaches, in particular New Institutional Economics and New Political Economy, would seem to offer an interesting invitation for those concerned with economic history. Therefore, for those who are unfamiliar with New Institutional Economics, its methodological basis and its concepts will be briefly outlined in the second section of this chapter. There, we will also present some approaches to certain Hanseatic phenomena by economists.

**Hanse Research, the Economy and Economics**

Research into the Hanse has always had a high standing within the field of medieval history, although its impact appears to be more or less restricted to historical research in Germany. This is mainly due to the fact that the medieval Hanse is still considered as merely a ‘German’ phenomenon. The still high reputation of Hanse research is undoubtedly connected to the fact that it has always possessed a great aptitude for integrating new issues, innovative methods and (naturally) the latest trends in science, an ability it has preserved to this day. For other fields of historical research – one may consider, for example, research into the history of war, engineering, councils or the German Peasant War – this is not always quite self-evident. The paradigmatical openness of Hanse history also mirrors the ongoing debate on what the Hanse really was, which presumably has prevented an ossification of Hanse research with respect to both its subject matter and methodology.
What the core of Hanse research should be has however in recent decades shifted a number of times. This is also due to the split into different eras of the history of the Hanse, e.g. early Hanseatic trade in the high Middle Ages, the late medieval Hanse or the Hanseatic League in early modern times. All these fields have naturally created their own pictures of the Hanse and the Hanseatic League, and will certainly continue to do so.³ What is more crucial is that in many of these concepts the economic dimension of both the Hanse and the Hanseatic League was only of marginal importance. Although there has never been a phase in which the economic aspect (or more precisely: Hanseatic trade) was totally neglected, it would nevertheless be exciting to examine the whole of Hanse research to ascertain the extent to which economics appeared in any of these images.⁴ With the following analysis can thus only central milestones of Hanse research be touched upon. Of course, a more detailed investigation would be necessary to examine all other non-scientific trends and interests⁵, whose impact on scientific research into the Hanse were also of considerable significance.

A connection with contemporary desires and hopes is particularly obvious in the beginnings of scientific research into the Hanseatic League in the nineteenth century, especially with regard to the establishment of the Hansischer Geschichtsverein (Hanseatic History Association) in 1870.⁶ The long-desired German national unity, which had finally been realised in 1871, was in a sense imported into the medieval world of the Hanseatic League, which then took on the appearance of a powerful union of cities whose naval power protected the interests of the German Empire in the North. Had the older, romantically inspired research already been lacking in an approach to the sheer economic power embodied by the medieval Hanseatic League⁷, after 1871 the economic history potential was finally and completely buried under a political, legal and constitutional view.

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⁴ Cf. Selzer 2010, pp. 6–12.
⁵ Cf. Holbach et al. (eds.) 2011.
⁷ Cf. Schwebel 1964, p. 15; Postel 1996.
It was primarily Dietrich Schäfer (1845–1929) who was responsible for such non-economic understanding of the Hanseatic League. His role can be deemed inappropriate when one considers that his nationalist-monarchist views would automatically have given rise to scientific backwardness. His scientific stance, which did not even take into account economic, social and cultural history, is also misunderstood if it is only presented as a result of the narrow-mindedness of a bourgeois theorist, because Schäfer, being the son of a Bremen docker, was very well acquainted with the world of trade and with life in a seaport. In his autobiography he touchingly describes how he grew up in a cellar bar at the harbour and played between the goods shipped from all over the world. Such socialisation is virtually unique among medievalists of the same generation, and such life experience can also very rarely be found among Hanse historians, the only parallel being the biography of Karl Koppmann (1839–1905), who was the son of a Hamburg butcher and failed his entire life to obtain a professorship. Both historians of the Hanseatic League became interested in the subject through the famous Göttingen historian Georg Waitz (1813–1886). Schäfer had, however, already come to Göttingen in 1871 with the intent of completing a prize essay on “The German Hanse Towns and King Waldemar of Denmark”, a task set the previous year by the Hansischer Geschichtsverein. A careful examination of the resulting 1879 publication reveals that although it mainly concentrates on foreign policy aspects of the matter, it also contains economic, social and cultural history passages of striking density. Schäfer had a deep knowledge of the Hanse’s economic history, as attested to in his introduction to the edition of the “Buch des Lübeckischen Vogts auf Schonen” or his commitment to the Sound Toll Registers. It was, therefore, not the result of his ignorance to the shaping power of economic conditions when he emphatically pointed Hanse research in another direction. In his memoirs, Schäfer retrospectively describes his stance, which

10 Cf. vom Bruch 1980.
12 Cf. Schäfer 1879; Pitz 1996, p. 144.
clearly shows the influence of Heinrich von Treitschke (1834–1896). In an almost regretful tone he notes: “It was my involvement with the history of the Hanseatic League that initially led me to scientifically sophisticated studies. Its very nature has a great deal to do with economic matters; it is concerned with the activities of citizens.” Yet, for some reason, this economic dimension is not the focus of his historical efforts: “But it is particularly the study of Hanse history which defined my conviction that the permanent size and welfare of nations are based on the health and might of its state life.” For him the focus of historical consideration must be the history of state action in which the Hanseatic League acted as a union of towns and a substitute of the German empire in the North. Or in Schäfer’s own words: “As if the state were not the highest product of all culture, which has up to now been the centre of historical research and publication, and which must always remain so [...]”. His decision to give priority to the constitutional and political history of the Hanseatic League was not due to limited research time. For Schäfer, economic success was merely a direct consequence of state power. In his 1885 essay “The Hanse and its Trade Policy”, he came to the programmatic conclusion which he quoted once again in his 1926 autobiography: “Like all other mercantile states, the history of the Hanse teaches us that economic size can only be achieved and maintained through political power.” The economic success of the Hanseatic League in the North and in the Baltic was thus not

16 Schäfer 1926, p. 100: „Beschäftigung mit der Geschichte der Hanse hatte mich zuerst zum wissenschaftlichen ausgereiften Arbeiten geführt. Sie hat sich ihrer Art nach besonders viel mit wirtschaftlichen Dingen zu beschäftigen; es handelt sich um Betätigung von Bürgern.“
17 Schäfer 1926, p. 100: „Aber gerade das Studium der hansischen Geschichte hat in mir die Überzeugung festgelegt, daß dauernde Größe und Wohlfahrt der Völker auf Gesundheit und Kraft ihres staatlichen Lebens beruhen […]“.
18 Schäfer 1926, p. 236: „Als wenn nicht das höchste Erzeugnis aller Kultur der Staat wäre, der bisher im Mittelpunkt geschichtlicher Forschung und Darstellung gestanden hat und immer stehen muß […]“.
caused by more clever economic strategies, more efficient trading practices or cheaper transport opportunities, but was instead a result of its political power. However, was it possible to expand this field of research if the source material about the domestic and foreign policy of the Hanseatic League was edited and evaluated? SCHÄFER resolutely rejected this thought, too. In 1908, in a lecture given at Lübeck, he strictly did not recommend the synchronous integration of additional dimensions into Hanse history, but plead, in full accordance with the political and military developments in the years before World War I, for a diachronic expansion of a political history of German maritime and naval power up to present day.

The impact of this pronounced state cult, which not only affected SCHÄFER’s historical research around 1900, was not restricted to the analysis of the Hanseatic League. It followed from the inaugural lecture he gave in Tübingen in 1888, and it finally resulted in a conflict with Eberhard GOTHEIN (1853–1923), who is now seen as one of the founding fathers of national economics in Germany, even though he always considered himself to be a historian. It seems necessary to take a look at this controversy, which is less known than the famous methodological dispute of the 1890s between Karl LAMPRECHT on one side and Max WEBER, Friedrich MEINECKE and Georg von BELOW on the other, but had a far greater influence on Hanse research. Since then it was not just the contact to cultural history which was blocked for Hanse history, but in particular contact to research into economic history was also almost completely lost. This diversion of Hanse history and economic history occurred at the time when the Jüngere Historische Schule der Nationalökonomie (Younger Historical

21 Cf. Schäfer 1909.
School of National Economics) enjoyed its greatest respect in Germany.27 Its methodically controlled work on historical source material resulted in high quality economic historical research, such as GOTHEIN’s “Wirtschaftsgeschichte des Schwarzwalds” (“Economic History of the Black Forest”, 1892).28 However, a Hanse history in the sense propagated by Schäfer was not receptive to the likes of this. So it is not surprising that Gustav SCHMOLLER (1838–1917), the head of the Jüngere Historische Schule der Nationalökonomie29, sided with Gothein, while Schmoller’s declared adversary Georg von Below (1858–1927)30 became one of Schäfer’s sympathisers.31

Yet, how fruitful such cooperation of economic history in the spirit of the Jüngere Historische Schule der Nationalökonomie and of Hanse research might have been can be seen in the case of the few historians who attempted this kind of approach. These include Wilhelm STIEDA (1852–1933), historian of the famous Veckinchusen family, who was a trained national economist.32 It also has to be mentioned that the first tenured professorship for economic history in Germany was given to Bruno KUSKE (1876–1964) in Cologne, even though his interest was primarily in the history of Cologne and not in the history of the Hanseatic League.33 Despite the fact that no genuine Hanse topics were dealt with in the Kuske School, another medievalist with a deep knowledge of national economics provided an extremely vitalising impetus for Hanse research in the direction of economic history. At his grandfather’s upper middle-class Berlin home, Heinrich SPROEMBERG (1889–1966)34 had met Gustav Schmoller in person and was truly impressed. Although he completed his doctorate under the supervision of Dietrich Schäfer in Berlin, he was actually more interested in the history of Western Europe, which led to his close links with the Belgian historian, Henri Pirenne (1862–1935). In 1917, Germany’s war policy in Belgium

28 Cf. Gothein 1892.
32 On his life see STIEDA 1921.
then caused a split between Heinrich Sproemberg and Dietrich Schäfer. Schäfer openly assured Sproemberg that Sproemberg would never obtain a professorship in Germany.\(^{35}\) Ironically, it was this role as a ‘maverick’ within the German medieval history scene that motivated Sproemberg to join the *Hansischer Geschichtsverein* in 1921 following the advice of Schäfer’s master student Walter Vogel (1880–1938).\(^ {36}\) Nevertheless, in the period after World War II Sproemberg became very influential in the economic history of the Hanseatic League after he had received a professorship in Rostock in 1946. The works on social and economic history subjects which he initiated over the following years are numerous, but of all of these only Karl-Friedrich Olechnowitz’s study of the shipbuilding industry is mentioned here.\(^ {37}\) In 1950, Sproemberg moved on to Leipzig University. He became head of the Hanseatic Working Group in the German Democratic Republic in the same year\(^ {38}\), and later also a member of the board of the *Hansischer Geschichtsverein*, which he had to re-join after having been forced out in 1938 for being politically unacceptable in the Nazi era.\(^ {39}\) It is symptomatic that Heinrich Sproemberg was unable to become professionally successful in a scientific milieu in which Dietrich Schäfer was so powerful and exerted so much influence.

Nevertheless, in the 1920s there was a determined embracing of the economic history of the Hanseatic League.\(^ {40}\) This new approach is closely associated with Fritz Rörig (1882–1952) and his students.\(^ {41}\) Rörig himself wrote reflectively of his course, milestones and goals: \(^ {42}\) In his view he developed his concept of the history of the Hanseatic League on two fronts. On the one hand, he considered Schäfer’s idea of the political history of the Hanseatic League to be inappropriate, and, after 1918, also outdated. On the other hand, however, he agreed just as little with the economic history approach of the national economists Karl Bücher (1847–1930) and

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36 Cf. Rörig 1938.  
38 See to the research on Hanseatic history in the GDR Müller-Mertens 2011.  
41 On Rörig’s intellectual biography see Selzer 2016a.  
Werner SOMBART (1863–1941), in whose thinking medieval foreign trade seems to be unimportant, and the world of the merchant all too narrow. RÖRIG was, however, able to refute these approaches with the help of the archives of the city of Lübeck. There, he discovered the medieval foreign traders in Hanse historiography, and there he found important source material to construct an economically based history of the Hanseatic League. He was less interested in business cycles and statistics, as he found “the people who drove the economy, their contexts and organisational forms, far more important […] than the goods they sold.”

His student Ahasver von BRANDT (1909–1977) incorporated all the findings from RÖRIG’s time into his 1963 essay “The Hanse as a Medieval Economic Organisation.” In a reversal of SCHÄFER’s premises he reiterated that: “The political, also power-political, activity of the League is not an end in itself […], but a means to secure the economic concerns.”

When Ahasver von BRANDT took stock of the 40 years of RÖRIG’s paradigm shift, not much was known of these issues outside the closer scientific community. This, not untypical, phase shift in the progress of new scientific approaches to a broader professional public was particularly due to the fact that Fritz RÖRIG had failed to write an overall view of Hanse history. The standard work by Karl PAGEL (1898–1974), published in 1942 and reprinted several times since then, was still the aggregate of SCHÄFER’s image of the Hanse. Things started to change when Philippe DOLLINGER’s (1904–1999) “La Hanse” was published in Paris in 1964. The German translation that appeared in 1966 soon became standard reading on the subject.

The contradictory structure of these two works, which describe the

44 Rörig 1950, p. 393: For him the economic agents, their interactions and forms of organisation are much more important than the goods they exchange („[…] die Wirtschaft treibenden Menschen, ihre Zusammenhänge und Organisationsformen, ungleich wichtiger […] als die von ihnen umgesetzten Güter“).
48 Cf. Dollinger 2012.
fault line between Schäfer’s and Rörig’s outlines of Hanse history, was substantial and was shrewdly commented on in a review of both works in 1965: “And while in Pagel’s perception, Hanse history is anything but just town history or even just economic history, for Dollinger it is primarily an ‘economic history’ phenomenon”. This notwithstanding, by the time von Brandt’s essay and Dollinger’s Hanse volume appeared, Ernst Pitz (1928–2009) had already diagnosed a crisis in historical research on the Hanseatic League. He clearly stated that “as well as a general blurring of the boundaries of Hanse research”, a key problem was that the “dialogue between historians and national economists broke down as a result of disinterest in economics during the Nazi era and the switch from economic science to economic theory that we experienced after 1945.”

Following the dispute (Methodenstreit) between the Austrian Economic School (Wiener Grenznutzenschule) led by Carl Menger (1840–1921) and the Historical School led by Gustav Schmoller, it soon became clear that the German avenue of historical economics was something that was not going to be followed at an international level. The reorientation of economic methodology as it emerged after 1945 meant an increased mathematicisation of the field, which had to operate on the exclusion of problems and limitation of the scope of research in order to be successful. One can argue that this is why there is a certain tragedy in the convergence of Hanse research with economic phenomena promoted by Rörig, because precisely this opened up the field for a historical approach to economics, which nevertheless failed to succeed internationally. His economic re-alignment of Hanse research came up against a general de-historicising trend in eco-

49 Schmidt 1965, p. 115 f.: „Und während für Pagel’s Empfinden hansische Geschichte „alles andere“ ist „als nur eine Städtegeschichte oder gar nur Wirtschaftsgeschichte“, ist sie für Dollinger eben gerade ein in erster Linie „wirtschaftsgeschichtliches Phänomen“.
50 Pitz 1961, pp. 259 and 261: „Verwischung der Grenzen historischer Forschung“ sowie „Gespräch zwischen Historikern und Nationalökönomen durch das Desinteresse der Nazizeit an der Wirtschaftslehre und die 1945 auch bei uns hervorgerufene Umstellung der Wirtschaftswissenschaften auf die Wirtschaftstheorie abgerissen ist.“
nomics. And it was this separation of both methods and subjects that also caused the current problems within the dialogue between medievalists, who generally consider the categories used by economists as too rigid and out of touch with the everyday life of the past, and economists, who vice versa consider historians to be naïve amateurish collectors of facts who think that common sense is a method.

In the 1960s, the renewal of economic history mainly in the Anglo Saxon world centred on models and quantification. As the necessity to use theory for scientific explanation was stressed, this ‘New Economic History’ was clearly designed to meet the needs of economics. And it was in particular Cliometrics that deepened the gulf between economists and medievalists even more. Thus, in the words of Arnold Esch, one gets the impression that there are two economic histories, depending on whether the respective researcher has a historiographical or an economics background.

New Institutional Economics and the Hanse – a Challenge

One might say that breaking the link to economic theory is fundamental for medieval studies in the German language, with the result being that medieval economic issues are only of minor importance. In favour of Hanse research, one could say that this field, when compared to others, has always been accessible for suggestions from economic history. Based on this tradition, one could hope that a newer economic theoretical framework and methodology would be met with interest by Hanse researchers.

In the past thirty years, with the New Institutional Economics a new concept has arisen within economics, in that historians should be interested in. Starting from a critique of the so-called neoclassical model of economic exchange, concepts of New Institutional Economics improve this model in a number of ways. The core assumption of the neoclassical exchange model is, on the one hand, that individuals behave opportunistically and attempt to maximise their personal benefit. This part of the model is also extensively used in the related fields of social science such as sociology, psychology

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54 Cf. Esch 1987, p. 10 f.
56 See e.g. Neus ³2003; Richter / Furubotn ³2003; Blum 2005.
and political science where it is commonly called ‘rational choice’. On the other hand, in this model it is assumed that the exchange of scarce goods and resources at markets is coordinated by means of a price mechanism. This works to perfection as long as the property rights of those interested in exchange are well-defined, and as long as all those involved in exchange are fully informed about market developments and the intentions of potential trade partners, so that exchange in general can be handled without costs. However, these assumptions turned out to be unrealistic in light of empirical research. Markets are usually not perfect, property rights often are only incompletely specified and individuals only possess limited information on what is going on at the market. Applied to the case of medieval trade, these clarifications mean that due information, contract and monitoring costs exchange via markets is not automatically the most efficient way of exchange. New Institutional Economics thus further develops the neoclassical model: firstly, in transaction cost theory exactly this information, contract and monitoring costs, is emphasised as being an important determinant of individual economic behaviour. Secondly, the property rights theory clearly demonstrates that the exact definition, distribution and legal guarantee of property rights for useful, and thus tradeable resources and goods are the chief prerequisites for the willingness of individuals to engage in commercial activities such as production, exchange and distribution. Finally, in principal-agent-theory the common presumption of information being symmetrically distributed between economic agents is abandoned, so that contracts would have to be drawn up in such a way that any inherent information asymmetry between them will be balanced, in order to protect the less-informed principal against attempts of the agent to take advantage of private information at the principal’s cost. To sum up, ‘rational choice’ as the core behavioural model underlying all neoclassical economic reasoning is now specified in terms of a ‘RREEMM’ (resourceful, restricted, expecting, evaluating, maximising man).  

All three basic concepts of New Institutional Economics thus emphasise the enormous importance that institutions have for human exchange. Institutions are, according to Douglass C. North, humanly shaped formal
or informal rules, which influence and structure human interactions.\textsuperscript{58} A set of such rules regulating the action of individuals is also referred to as an institutional arrangement. New Institutional Economics has now been applied for over three decades, especially in Anglo-American economic history. However, even though all institutional economics approaches use more or less equivalent definitions of institutions and rely on the same kind of behavioural model, for the analysis of medieval trade two distinctions with respect to the nature of institutional analysis are particularly important. According to NORTH, institutional analysis is primarily about working out the historical dimension of institutions and describing those institutions that have either accelerated or inhibited European economic development since the Middle Ages.\textsuperscript{59} In contrast, the approach taken by Avner GREIF is more prescriptive, in that it attempts to explain the functionality, or dysfunctionality, of institutional arrangements in a very basic manner. To this end he primarily avails himself of game theory\textsuperscript{60}, with which the neoclassical postulate of opportunistically acting individuals is methodologically extended insofar as individuals are, by assumption, anxious to maximize their own benefit, yet act strategically and include the expected reactions of their potential interaction partners in their own calculations.

With institutional economics, whether in its descriptive or prescriptive variant, the focus tends to be more on such social, political and legal frameworks of economic practice. However, it is precisely this lack of consideration of such a framework in the sterile neoclassical mathematical models that has been criticised by historians. In Germany in particular, this fundamental critique resulted in an unexpected interest once again due to the German tradition of the historical school of national economy. The first presentation of the new research approach by Knut BORCHARDT in 1977 was also motivated in this manner. Although published in an otherwise friendly environment for theory, his summation had hardly any impact. His careful analysis of the meaning of property rights to economic history was the first attempt of a German economic historian at discussing improve-

\textsuperscript{58} Cf. NORTH 1991, p. 97.
ments and deficits of New Institutional Economics, and for a long time it also remained the only one.\textsuperscript{61} Only in a second attempt from the beginning of the 1990s onwards did the idea of the discipline of New Institutional Economics and its applicability to historical problems truly get through to German economic historians.\textsuperscript{62} In the meantime the same applies for applications of this concept to medieval economic issues.\textsuperscript{63}

However, although quite recently the economic dimension of the Hanse reappeared on the agenda, a real embrace of economic theory and methodology by Hanse historians can only be seen in a few cases.\textsuperscript{64} Theoretically inspired studies on the (economic) history of the Hanse and its merchants were published in most cases by economists, political scientists or political historians.\textsuperscript{65} Likewise, the reverse is also true: in the debate in international economic history on the medieval European merchants’ institutional arrangements, Hanse examples are mentioned\textsuperscript{66}, but Hanse research itself is not really actively involved in this discussion. Interestingly enough, the Hanse was also used in arguments during the development of New Institutional Economics. Institutions which played a significant role in the development of Europe’s economy from an agricultural to an industrial economy are examined in the works of Douglass C. North and Avner Greif. So it is hardly surprising that medieval long-distance trade in particular is given more attention in these studies. North distinguishes two fundamental problems in medieval long-distance trade for which institutional arrangements had to be found in order to enable merchants to trade

\textsuperscript{61} Cf. Borchardt 1977.
\textsuperscript{62} See e.g. Wischermann 1993; Butscheck 1998; Berghoff 1999; Butscheck 2000; Fiedler 2001; Ellerbrock / Wischermann (eds.) 2004; Wischermann / Nieberding (eds.) 2004; but especially Volckart 2004b, who classifies the concepts of New Institutional Economics and shows how these concepts could be applied to historical examples.
\textsuperscript{63} See e.g. Munro 2001; Schui 2003; Volckart 1998; 2001; 2002; 2004a.
\textsuperscript{64} See e.g. Selzer / Ewert 2001; 2005; 2010; Ewert / Selzer 2007; 2010; Ewert / Sunder 2012; Jenks 2005; Link / Kapfenberger 2005.
\textsuperscript{65} See e.g. Schoneville 1998 on the impact of financial markets on the Hanse, or Pichierri 2000, Schellers 2003 and Schipmann 2005 on the political organisation of the Hanseatic League.
profitably. On the one hand, sedentary merchants had to find solutions for the problems of sending goods to trading partners in distant markets, evaluating the performance of their trading partners and protecting themselves against possible fraud and against any other form of loss. On the other hand, travelling merchants had to negotiate privileges in foreign markets and plausibly convince the local authorities that they would not tolerate any infringement of the trade privileges that had been granted to them. An institutional solution for the first problem was, for example, to trade with relatives, while the second problem was often historically overcome through the formation of a union of foreign traders in merchant guilds.67 In the institutional economics analysis of medieval trade, an initial differentiation was made between institutions which regulated the relationships between geographically separated trading partners68 and those which evolved in the recurrent negotiations of merchants trading at a particular foreign market with the local granters of privileges (princes, towns).69 Taking merchant guilds as an example, it becomes clear that a third type of institution exists, namely those which determined the relationship between (sedentary) merchants at one location70, even though guilds would also fall in the category of institutions that governed relations between rulers and merchants abroad, of course.

While the Hanse is only marginally touched on in NORTH’s research as one of many examples, other institutional economic research focuses explicitly on Hanseatic trade and the Hanseatic League as an economic and political player in medieval Northern Europe. In a study published in 1994, Avner GREIF, Paul MILGROM and Barry WEINGAST addressed the question as to why the Kontore of the Hanse were established at particular trading places, which served as outposts of the Hanseatic trade system.71 From an economics point of view, the Kontore were initially nothing more than trading cartels that were able to gain a monopoly on certain goods by means of privileges granted. According to this diction, the Kontore

70 Cf. GREIF 1992, p. 131 f.
were to be viewed negatively because of the notion that Hanseatic merchants, by acting as oligopolists, made efficient trade impossible, adding surcharges and reducing the trade volume. Greif, Milgrom and Weingast show that the Kontore, or merchant guilds in general as information hubs, not only had a coordinating function for the trading activities of the merchants with its associated economic advantages, but were, as a consequence, with their group privileges also able to reduce the costs of contracting for the granter of said privileges. Finally, due to the possibility to place sanctions on their own members, they also supported the self-commitment that was all too necessary for the growth of trade. Jochen Streb expanded these conclusions insofar as he was able to clarify that the transition from the merchants’ Hanse to the Hanseatic League was a logical step because the Hanse towns had even greater financial resources than the Hanseatic merchants themselves, with which they could protect their merchants more effectively against all efforts made by the granters of privileges to exploit them.\textsuperscript{72}

Which opportunities does New Institutional Economics offer for future research into the history of the Hanse and its trade? The concepts provide Hanse research with categories and a methodology for the analysis of Hanse institutions. By using this conceptual framework, these institutions can be compared with and evaluated against the background of other institutional arrangements in long-distance trade that evolved elsewhere in medieval Europe. In particular, we will be taking a closer look at the following aspects of Hanseatic trade:

In the subsequent Chapter 2 Reputation, Trust and Culture – the Network Structure of Hanseatic Trade and its Benefits we provide the reader with an institutional economics analysis of both the structure and coordination of the internal Hanseatic trade. This trade system is described in terms of the model of network organisation. We look at commonly used forms of commercial exchange and business cooperation between merchants and we show why the resulting trade network for Hansards was an efficient way to handle their commercial exchange, and why this trade system also prompted merchants to act fairly.

\textsuperscript{72} Cf. Streb 2004.
In part, this efficiency of the internal Hanseatic network trade stemmed from an overlap of business and family, which in general seems to be a rather typical characteristic of the economic activities of pre-modern merchants and entrepreneurs. Therefore Chapter 3 A ‘Small World’ – Reconstruction and Meaning of the Hansards’ Social Networks is primarily dedicated to the concept of social network analysis and its analytical potential with respect to the manifold social relationships that are found within the late medieval Hanse. In particular, we review different types of surviving sources – e.g. letters, wills, membership in guilds –, which all help to reconstruct different layers of social networks by providing valuable data on the kinship and social relationships of Hansards and their social proximity. Kinship and social bonds complemented the commercial relationships of traders and created a so-called ‘small world’ for Hansards, a highly segregated network which nevertheless allowed for an easy indirect reach of other members on rather short paths through the network.

Chapter 4 Bridging Distances and Filling Gaps – Strategies to Handle Heterogeneous Commercial Environments deals with the seemingly huge differences in economic development by which the various regions of Hanseatic trade were characterised. Being continuously faced with heterogeneous commercial environments, the merchants of the Hanse, as a consequence, developed certain strategies – e.g. hedging against the risk of transportation, networking, standardisation of commercial institutions – to handle this kind of heterogeneity, and in doing so were able, to a certain extent at least, to bridge these significant gaps in economic development that existed within the Hanse’s realm.

In Chapter 5 State of Cities, Commercial Trust, or Virtual Organisation? – Structure and Coordination of the Hanse the focus is expanded insofar as we now take a closer look at the outside appearance and the overall structure of the Hanse. In particular, we are concerned with the interplay of the internal network trade system with the Kontore and the emerging political structure of the Hanseatic League. We also deal with the measures that were applied to coordinate the commercial activities of merchants and to balance the economic interests of towns.

Why were Hanseatic merchants so successful? And why did their seemingly unassailable economic position begin to decline at the end of the fifteenth century? In Chapter 6 Competitive Advantage or Limit to Busi-
ness? – Contingency and Path Dependence we discuss exactly this question, arguing that apart from a number of exogenous political and economic developments around the year 1500, which could not be influenced by Hanseatic merchants at all, their growing economic power in the preceding centuries, and their loss of competiveness at the end of the fifteenth and in early sixteenth century were to a large extent endogenously driven. Both economic success and later failure seem to have been highly determined by the structure of the Hanse’s network trade system and were thus path-dependent.

Finally, in the concluding Chapter 7 Perspectives of Research into Hanseatic Trade – the Impact of the Model of Network Organisation we will review our own results concerning the Hanseatic network trade system in the light of current trends in Hanse history and recently published studies on the Hanse, as well as in light of the ongoing and lively debate in economic history on the mechanisms of medieval long-distance trade and the determinants of its rise, which still is dominated by those economic historians who draw their conclusions from Mediterranean or West European cases. And even though some scholars already have used Hanse examples of course, so far a full-scope institutional economics analysis of Hanseatic trade was still lacking. With this book we seek to fill this gap.