Chapter 7
Perspectives of Research into Hanseatic Trade – the Impact of the Model of Network Organisation

A Short Look Back

Our first article on the network pattern of Hanseatic trade dates back to the year 2001 and was published in the *Hansische Geschichtsblätter*, the leading scholarly journal of Hanse historiography.\(^{345}\) Through a description in terms of network organisation of the typical modes by which the Hansards usually handled commercial exchange we were able to use economic theory to explain many features of the Hanse’s system of trade, such as a dominance of small-size firms, a dominance of reciprocal trade without formal contracting and an obvious lack of risk capital, and this in turn revealed that the whole trade system of the Hanse must have been a very efficacious and efficient and thus viable pattern of commercial exchange. We gained our insights on the basis of the, in those days still relatively scarce, available source material on the commercial practices of Hanseatic merchants, some of which was already edited, and on the grounds of a careful interpretation of the published literature.

With this first result the floor was open to further analyses of Hanseatic trade and the Hanse’s institutions of trade. However, even though the idea of network and of network organisation in connection with Hanseatic trade was quickly picked up by many other researchers and is now widely accepted within the scientific community, progress in this field proved to be much slower than initially expected. We ourselves recurrently contributed with numerous articles and working papers to the vivid evolving discussion on the characteristics of the institutions of Hanseatic trade.\(^{346}\)


Yet, what we hoped for some 15 years ago – a much richer empirical test of the hypothesis of network organisation with respect to Hanseatic trade and a much more fruitful discussion in economics and economic history on general trends in the development of late medieval institutions of trade – has so far not been fulfilled by Hanse historiography. Nevertheless, compared with the situation that was apparent around the year 2000, Hanse research since then had developed significantly into this new field, theoretically as well as empirically. Hence, we will finally give a brief sketch of what in particular has changed during the last decade and of the newer trends in the economic history of the Hanse that have emerged in recent years.

**Methodological Advances and Newly Published Sources**

As discussed in Chapter 1 of this book, around the year 2000 research into the Hanse was not really strongly connected to economics in a broader sense, neither to economic theory nor to economic history. In this first chapter we attempted to show how, for various reasons, an older relationship between Hanse historiography and economics that existed in the late nineteenth as well as in the early twentieth century was broken after 1945. Given this tremendous divergence in the development of Hanse historiography on the one hand side and of economics on the other, it is quite astounding in retrospect that economists like Avner Greif, Paul Milgrom and Barry M. Weingast were taking the Hanse, or to be more precise, the voluntary cooperation of Hanseatic merchants at the Bruges Kontor, as an example of their model of guild formation they developed in their seminal and extremely influential paper of 1994.\(^{347}\)

In contrast to what was the standard at about 15 years ago, recent publications, namely those in the *Hansische Geschichtsblätter*, on Hanseatic trade and topics related to it, now have a different scope and a much more pronounced theoretical emphasis. They often incorporate concepts from the social sciences or from economics such as transaction cost theory\(^ {348}\) or sys-


tems theory and cybernetics. Even the methodological approach of game theory to both the Hanse and to Hanseatic trade, used before by Mark Schoneville and ourselves, has also been taken up again. Certain ideas originating from another historical context, as is the case with the concept of a distributive revolution in the nineteenth century, have now been transferred to the commercial world of late medieval Hanse towns, thereby making use of Hanseatic source material. This newly established and fruitful openness also pertains to several recently published surveys on the Hanse.

What is presumably most important for the apparent ongoing change in scope and methodology within the research into the economic history of the Hanse is the fact that during the last 15 years several valuable series of source material have been edited and published, which in the near future will certainly allow for tests of some of the hypotheses regarding the effectiveness and the efficiency of Hanseatic trade institutions, hypotheses that have so far only been formulated on the grounds of economic theory. Among these recently edited sources are the pound toll lists of Danzig / Gdańsk, some of the account books of the commercial agents and the chief sales and buying officer (Großschäffer) of the Teutonic Order, many of the journals and manuals of the Veckinchusen family and a pound toll list from 1485/86 for Hamburg and Lübeck.

Network Organisation as a Formative Pattern of Pre-modern Trade

Our initial approach to take the institutional arrangement of Hanseatic trade as an early case of network organisation is widely accepted now.  

The examples we used to illustrate certain features of this model like the lack of formal contracting, the great variety of trade partners or the building of mutual trust over time, were taken from the older literature. This empirical basis has been enriched substantially in recent years with several case studies on the trade of certain Hanseatic merchants, on groups of traders as well as on the means these merchants used.\textsuperscript{356} Also, the graphical representation of trade networks and other economic issues is now under careful research in Hanse historiography.\textsuperscript{357}

Nonetheless, Hanseatic networks of trade are not the only elements that were analysed by the network approach during the last decade. In a way, the focus of Hanse historiography has also moved to social networks and their various appearances, which could be identified as a formative element of social cohesion between the inhabitants of Hanse towns.\textsuperscript{358} In the model of network organisation, social nearness, friendship and kinship are necessary prerequisites for a form of trade organisation that is mainly based on trust and reputation. This notwithstanding, in the literature one does not always find a proper discrimination of social networks on the one side and network organisation of trade on the other, although such a clear-cut distinction would be extremely important to explain specific mechanisms of Hanseatic trade.

Apart from kinship and friendship, social proximity and cooperative forms of interaction among Hansards, the aspects of communication and mobility have so far been treated rather poorly.\textsuperscript{359} Communication and mobility are pivotal elements of the Hanse’s network trade system inasmuch as these elements can reveal a lot about the likelihood of long-distance trade evolving within in a wide geographical area like the Baltic and the North Sea as well as about the opportunities for the Hansards to design their commercial exchange in such a commercially different environment, as shown in Chapter 4 of this book.

\textsuperscript{357} Cf. Selzer 2016b.
\textsuperscript{359} Cf. Mähnert / Selzer (eds.) 2012.
At first, our approach to explaining the specific pattern of commercial exchange prevalent among Hansards in terms of network organisation also dealt with the hypothesis of Wolfgang von STROMER. It was intended to put his claim of a seemingly commercial backwardness of the late medieval Hanse to the test and to find empirical evidence in order to possibly reject this hypothesis. In a paper published in 1976, Wolfgang von STROMER had claimed that the Hanse and its merchants were in a way outdated in the fifteenth and early sixteenth centuries, in part because of the apparent lack of centralisation within the Hanse and the lack of bureaucracy of Hanseatic business firms, and because Hanseatic merchants seem to have been quite reluctant to commit to formal contracts and to make use of the commercial innovations in European trade of the later Middle Ages. In dealing with this hypothesis our argument was that because of the network structure of Hanseatic trade that guaranteed coordination and fairness through culture, trust and reputation, merchants neither needed much formal contracting nor did they have to use newer business techniques.

Very soon, however, it transpired that categories like ‘modern’ or ‘backward’ are inappropriate to assess and to judge both the institutional arrangement and the economic performance of a particular system of commercial exchange. Taking the Weberian bureaucratic-hierarchical model as a point of reference, like Wolfgang von STROMER did, the Hanse’s institutions of trade certainly appear to have been backward at the end of the fifteenth century. In contrast, if the reference is changed to the model of network organisation, the same institutions appear as an extremely efficient, clever and modern solution to all the problems of organisation and coordination that typically arose in late medieval long-distance trade. Consequently, the question of backwardness of Hanseatic trade no longer is an issue, because with the model of network organisation at hand, Hanse research now is in possession of arguments able to convincingly reject any such reproach.

Moreover, nowadays it is obvious that the pattern of network organisation pertained to much more historical systems of trade than previously thought, and therefore the geographical spread of this particular institutional arrangement was much wider in the late Middle Ages and in early-

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modern times. Numerous case studies as well as several recently published collected volumes based on the papers prepared for workshops and conferences prove this\(^{361}\), and even the traditional ‘Reichenau-Tagung’ of the German medieval historians in its 2008 conference dealt with the concept of networks in medieval trade.\(^{362}\) In sharp contrast to the judgement of Wolgang von STROMER dating back to the year 1976, and based on the results of present-day research on medieval and early-modern long-distance trade, today one would say that in late fifteenth century and even beyond this historically important watershed, network patterns of trade were much more common than bureaucratic-hierarchical organised businesses, represented by a few firms from Upper Germany, that were taken, not without reason, of course, as a point of reference by Wolfgang von STROMER.

**The Hanse as a Political Organisation**

The explanatory power of theoretical economic concepts is not restricted to the analysis of the institutions of Hanseatic trade. Theoretical economic concepts are also instrumental in the analysis of the Hanseatic League and they can help to reach a better understanding of the Hanse as a political organisation. Beginning with Angelo PICHIERRI’s publication on the Hanse as a state of cities in the year 2000\(^{363}\), several approaches to the analysis of the Hanseatic League can now be found that rely, at least in part, on social science concepts or theoretical economic reasoning.\(^{364}\)

At the beginning, the issue of the Hanseatic League was not the focal point of our own research, which was originally directed towards the sphere of individual Hanseatic merchants and their commercial exchange. However, in Chapter 5 of this book we describe the formation of the Hanseatic League as the association of Hanse towns, as the emergence of a multipolar network organisation evolving in times of crisis through a more formal and more vigorous cooperation of certain actors within the Hanse, including merchants, the *Kontore* and town representatives, and therefore producing

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additional organisational layers, again interwoven with each other by the ever-present personal relationships of Hansards.

To a certain extent, this approach is in line with other interpretations of the Hanseatic League that are based on institutional economics, public choice and game theory, like the concept of Functional Overlapping Competing Jurisdictions (FOCJ), which was introduced to public choice theory by Bruno S. Frey and Reiner Eichenberger in 1996\(^{365}\) and has now been used by Alexander Fink in several articles on the Hanseatic League.\(^{366}\) Nevertheless, some aspects that are important in understanding the history of the Hanse are missing within this concept. Neither the historical reasons for an association of Hanse towns to emerge nor the fact that a majority of towns were non-permanent members with only a loose association to the Hanseatic League are taken into account. The personal element, which in pre-modern societies was extremely important in reconciling eventual conflict, is also lacking. This is fairly straightforward because the concept of FOCJ developed from a modern states’ background. Instead, our model of a multipolar network organisation is able to incorporate the organisational attempts that were made around 1350 to form a closer cooperation of Hansards at various levels, and it can also explain why a fundamental problem of cooperation arose in several instances belonging to this newly existing, yet loose association. The manner in which cooperation was handled over time, namely by attempts to formalise and to centralise it, naturally produced disincentives for merchants, for the Kontore and even for the towns to commit unreservedly to this kind of association, which in turn was one of the reasons for the Hanse’s declining economic performance at the end of the fifteenth century.

**The Structural Change around the Year 1500**

For various reasons, there were significant changes around the year 1500 in global trade routes, in patterns of European long-distance trade and in the dominance of particular merchant groups in Europe. It was at this time that Hanseatic merchants started to lose the competitive advantages

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they had enjoyed for so many generations in the North Sea and the Baltic. Based on trade privileges, Hanseatic merchants had been able to form an extremely stable cartel for quite a long time, which then became instable and, showing first signs of dissolution, began to erode. In Chapter 6 of this book we attempted to show that the end of the Hansard’s competitive advantage was in part due to the network organisation of long-distance Hanseatic trade, because this institutional arrangement not only enhanced trade but in the long run had negative repercussions on economic development and growth, too.

The rising competition the Hansards were faced with around the year 1500 was also caused by additional determinants, which lie beyond a purely organisational explanation. In a recently published collected volume, the structural change around 1500, its potential determinants as well as its consequences are discussed from a Hanse perspective.367 For the history of the Hanse this transition is extremely important insofar as the change of the economic environment marked not only a change in the state of commercial competition at the merchant level, but also a change in the meaning of the political organisation of the Hanseatic League. By focusing particularly on this transitional period, the German research into the Hanse becomes more closely connected to the rich strand of literature on Flemish and Dutch economic and urban history, which has long been well aware of the ongoing commercial change and of the impact the late medieval and early-modern business cycles had in these areas. Flemish and Dutch economic historians have naturally analysed these business cycles, which become most evident in the increasing and decreasing importance of the markets of Bruges, Antwerp and Amsterdam, on the grounds of modern economic concepts.368

Insights Relevant to Historical Economics of Trade

The above-cited paper of Avner Greif, Paul Milgrom and Barry S. Weingast on the interaction of medieval rulers and merchants can undoubtedly be considered as extremely influential, in economic history as well as in economics, but also in political science. One recent example of this influ-

ence is a volume on development economics where the Hanse case and the considerations of Greif, Milgrom and Weingast are described at some length within a section on alternative institutions for contract enforcement.\textsuperscript{369} Given this immense scientific impact, and the fact that the authors used the cooperation of Hansards at the Bruges market as an example of guild formation in the Middle Ages, one would have expected the Hanse, and especially the trade institutions of its merchants, to be back on the agenda of international economic history. Unfortunately, this is not the case. As a consequence, debates in international economic history of the Middle Ages in most cases do not really consider developments in Northern European trade. Meanwhile, because the Hanse perspective is rather under-represented in these scholarly debates, Hanse historiography cannot profit from the empirical findings and conceptual improvements that typically arise in connection with the study of a wide range of European examples.

Two of the current discussions in economic history will be briefly mentioned here. For quite a while now, the role of guilds in medieval and early-modern trade has been re-assessed conscientiously in the international literature. A series of newer publications on this topic\textsuperscript{370} show that merchant guilds not only had positive effects on the volume of trade, on economic development and on economic growth. Since a general principle of medieval and early-modern guilds was to include as well as to exclude individuals, merchants who were members of a guild could benefit from the collective goods the guild provided to them, whereas others, the non-members, did not. Growth, however, was obviously much more pronounced in a setting where not only groups of merchants were privileged, but also where individual traders were granted access to reliable and efficient institutions of trade, meaning that communities and not just guilds provided merchants with all kinds of services to enhance trade. The work of Erik Lindberg, even though it covers the later developments of the sixteenth and seventeenth centuries, reveals interesting insights and inspiring results for Hamburg, Lübeck and Königsberg / Kaliningrad in this regard.\textsuperscript{371}

\textsuperscript{371} Cf. Lindberg 2008; 2009; 2010.
Another important and rather controversial discussion on medieval trade in economic history is currently concerned with the mechanisms of enforcing cooperation between merchants in impersonal exchange. Arguing on the grounds of the cases of the Maghribi traders, the Hansards’ guild in Bruges, and Genoese merchants, Avner Greif strongly advocates the outstanding role that in his view self-enforcing institutions and corporative mechanisms played in contract enforcement and in securing merchants’ property rights. In opposition to this, Jeremy Edwards and Sheilagh C. Ogilvie are eager to stress the importance of public legal institutions in enhancing impersonal exchange. In their opinion, the medieval Champagne fairs are a good example of public institutions having been a necessary requirement for providing merchants with an institutional arrangement by which merchants’ property rights could be secured and contracts could be enforced. In the case of the medieval Champagne fairs, this was achieved with a certain commercial policy of the count of Champagne.

We think that this point would be of fundamental importance for the research into the institutions of Hanseatic trade, but unfortunately a specific Hanse perspective has not been established so far in this scholarly debate. Yet, there would be a good reason to do so because the Hanse’s network organisation of trade consists of private-order institutions as well as of public institutions, even more so after the Hanseatic League emerged at the middle of the fourteenth century. Hence it follows that the Hanse is a good example of self-enforcing institutions of the like Avner Greif mainly points to, co-existing with means of third-party-enforcement. Corporative mechanisms of enforcement based on common values, trust and reputation were extremely instrumental in enhancing the cooperation of Hanseatic merchants, but to make these institutions work effectively, public institutions such as the merchant law or the communal responsibility to enforce

372 Cf. Greif 2000; 2002b; 2006. Avner Greif was recently criticised for having seemingly copied – without correctly citing his source – the idea of corporative mechanisms of enforcement in commercial networks based on culture, trust and reputation from the work of the American anthropologist Janet Landa, who had developed this idea in a study on a group of Chinese traders in Southeast Asia (see Landa 1978; 1981; 1994). Cf. Rowley 2009, and the reply to this allegation by Greif 2009

the merchants’ property rights abroad were also necessary. In addition, the Hanse would also be a good example of how important for the overall economic performance of the institutional arrangement of trade a perfect tuning of different types of enforcement was. As discussed in Chapters 5 and 6 of this book, the attempts to re-structure the Hanse’s network organisation of trade and thereby superimpose private-order and corporative institutions with public institutions of enforcement, presumably contributed substantially to the economic decline of the Hanse that had begun in late fifteenth century, because with these attempts some of the traditional but efficient institutions of Hansards like the Kontore, were seriously at risk of being neutralised in a more centralised, more hierarchical and more town-oriented structure.

In our view, the Hanse’s institutional arrangement of trade is worth consideration as a significant case of institution building in medieval and early-modern commercial exchange. Both economic history and Hanse historiography would benefit from such analysis. The Hanse’s institutional arrangement of trade and the network organisation of Hanseatic trade has all the ingredients needed for good institutional economics reasoning – rules of trade and trading practices, distinct forms of merchants’ cooperation and institutional change – all of these enable us to derive incentives as well as disincentives to trade, and to analyse the manifold repercussions institutional change had on trade. Vice versa, for Hanse historiography this would be a valuable approach because the Hanse’s institutional arrangement could be embedded into a more general framework of trade in medieval Europe, and this in turn would allow Hanse research to make profound statements about what the institutions of Hanseatic trade had in common with other institutional arrangements of medieval European traders, and in what respect the Hanse’s institutions were special. For rather obscure reasons such a potentially fruitful scientific exchange between different fields in economic history can thus far only be considered as underdeveloped. We continue to hope that our analysis of the Hanse’s network organisation of trade presented in this book may help at least a little bit in improving this.