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Craft Guilds: rent seeking or guarding against the grabbing hand?

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Abstract

The literature on craft guilds assigns them many roles, variously promoting skill acquisition and innovation, reducing transaction costs and asymmetries of information, providing solidarity for members, and wasteful rent seeking. Debate on the latter has typically centred on whether rent seeking was the primary goal of guilds, or whether it was essentially a necessary evil to allow guilds to fulfil their true institutional purpose by incentivizing collective action. It is rarely suggested that guild lobbying may have been a defensive measure against predatory elites, which served to increase economic efficiency and reduce extractive behaviour in the economy as a whole. An implicit assumption seems to be that guild rent seeking disturbs a pre-existing competitive equilibrium in markets and introduces inequality in previously equitable political rights. This essay approaches the topic by synthesising the literature on the rent seeking role of European guilds with that of the role of guilds in urban politics and the literature on firm theory and market structure. It argues that such a synthesis offers insights on imbalances of political and market power that call for a reinterpretation of ‘rent seeking’ behaviour by guilds. Guilds typically faced monopolies and monopsonies backed by an inequality of political power, which their own ‘rent seeking’ sought to overcome. Guilds therefore may have reduced aggregate rent seeking and improved efficiency. A renewed focus on urban politics and market functioning could help paint a more accurate picture of the true nature of guild rent seeking.

1. Introduction

Craft guilds were associations formed around shared occupations by members wishing to pursue mutual purposes and remain a subject of debate for their impact on economic growth.^{1,2} One school of thought holds that they were rent seeking or extractive institutions, and ultimately negative for economic growth, expending resources in political lobbying to obtain market privileges which generated inefficiencies. Against this, others argue guilds diffused technology

¹ Sheilagh Ogilvie, ‘The Economics of Guilds’, *The Journal of Economic Perspectives* 28, no. 4 (2014): 169–92. Pg 169

² For clarity, “guilds” in this essay will refer to craft guilds. Merchant and other guilds, where referenced, will be specified as such.

and skills, or lowered transaction costs in an uncertain environment.³ Typically the debate comes to focus on whether restrictive practices were widespread and effective, whether rent seeking was the primary purpose of guilds, and whether alternative institutions could or did provide the benefits of guilds at a lower cost. One area less considered in the case of craft guilds is their role in preventing rent seeking by other agents in the economy, including merchant guilds. Jones posits economic history as a tug of war between an inherent propensity for growth and an inherent propensity of elites to rent seek, with growth winning out as rent seeking is reduced.⁴ Greif considers such a role for merchant guilds in protecting their members from the ‘grabbing hand of the state’ and speculates that similar narratives could hold for other organisations.⁵ Firm theory, meanwhile, suggests that bilateral monopolies -as in the case of opposing craft and merchant guilds - may produce a more efficient outcome than a simple monopoly or monopsony.⁶ An implication then might be that the impact of guild rent seeking on growth is less straightforward than commonly supposed. This essay will approach the topic by synthesising the literature on the rent seeking role of European guilds with that of the role of guilds in urban politics, including the dynamics between guilds and rulers, and those between guilds, and the literature on firm theory and market structure. It will argue that this literature offers insights on imbalances of political and market power that call for a reinterpretation of ‘rent seeking’ behaviour by guilds.

2. Guilds and the rent seeking debate

The view of guilds as primarily rent seeking institutions has deep roots, reaching back at least to the 19th century. Writers such as Gross and Ballard highlighted

³ For a broad overview of the competing theories on the main purpose of guilds, see e.g. Ogilvie, ‘The Economics of Guilds’. Pg 173-186

⁴ E. L. Jones, *Growth Recurring: Economic Change in World History, Fulcrum.Org* (Clarendon Press, 1988).

⁵ Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade, Political Economy of Institutions and Decisions* (Cambridge; New York: Cambridge University Press, 2006), <https://doi.org/10.1017/CBO9780511791307>. Pg 91

⁶ James N. Morgan, ‘Bilateral Monopoly and the Competitive Output’, *The Quarterly Journal of Economics* 63, no. 3 (1 August 1949): 371–91. Pg 391

the monopolistic power of guilds and saw their chief aim as one of minimising competition.⁷ While this would be echoed in the work of early 20th century writers like Pirenne, the consensus also came to be challenged at this time by new interpretations of guild behaviour or market structure.⁸ Unwin argued that guilds were socially beneficial for their role in providing mutual aid and ensuring product quality, while Scott and Thrupp separately viewed guilds as lacking true monopoly power.⁹

The rent seeking consensus however persisted until the late 20th century, with monopolistic practices blamed for limiting growth and innovation.¹⁰ At this time, a new school of revisionism began to emerge. Though seldom seeking to deny the existence of rent seeking outright, this literature typically contested the argument that rent seeking was the main role or purpose of guilds. Hickson and Thompson noted that guild policies seem inconsistent with a rational monopoly, given the use of maximum prices and minimum quality standards.¹¹ Meanwhile, Epstein countered the consensus by noting that guild powers were “frequently illusory”.¹² Similarly, Richardson pointed out that many ‘monopolists’ lacked the

⁷ Charles Gross, *The Gild Merchant: A Contribution to British Municipal History* (Oxford: Clarendon Press, 1890); Lujo Brentano, *On the History and Development of Gilds, and the Origin of Trade-Unions [...]* (London: Trübner & Co, 1870).

⁸ Henri Pirenne, *Economic and Social History of Medieval Europe* (London: Routledge and Kegan Paul, 1936).

⁹ George Unwin, *The Gilds and Companies of London* (London: Methuen and Company, 1908); Jonathan E. Scott, ‘Limitations of Gild Monopoly’, *The American Historical Review* 22, no. 3 (1917): 586-, <https://doi.org/10.2307/1842651>; Sylvia L. Thrupp, ‘Medieval Gilds Reconsidered’, *The Journal of Economic History* 2, no. 2 (1942): 164–73, <https://doi.org/10.1017/S0022050700052554>.

¹⁰ A. B. Hibbert, ‘The Economic Policies of Towns’, in *The Cambridge Economic History of Europe from the Decline of the Roman Empire: Volume 3: Economic Organisation and Policies in the Middle Ages*, ed. E. Miller, E. E. Rich, and M. M. Postan, vol. 3, *The Cambridge Economic History of Europe* pp 155–229; Douglass C. North, *Structure and Change in Economic History* pp134; Antony Black, *Guilds and Civil Society in European Political Thought from the Twelfth Century to the Present* pg8.

¹¹ Charles R. Hickson and Earl A. Thompson, ‘A New Theory of Guilds and European Economic Development’, *Explorations in Economic History*, *Explorations in Economic History*, 28, no. 2 (1991): 127–68, [https://doi.org/10.1016/0014-4983\(91\)90015-B](https://doi.org/10.1016/0014-4983(91)90015-B). Pp 128

¹² S. R. Epstein, ‘Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe’, *The Journal of Economic History* 58, no. 3 (1998): 684–713, <https://doi.org/10.1017/S0022050700021124>. Pp 686

legal right to manipulate prices or quantities.¹³ Rather than rent seeking, it was variously suggested that guilds primarily existed to address asymmetries of information regarding product quality, to improve markets for trained labour, or to facilitate innovation.¹⁴

This wave of revisionism culminated with a conference titled ‘Return of the Guilds’ in 2006, the underlying theme of which was summarised in a 2008 paper – namely that the received wisdom of guilds as anti-innovative and anti-entrepreneurial rent seekers had been proven wrong by recent research.¹⁵ This conclusion of a new consensus was promptly challenged by Ogilvie, who claimed that “even scholars who wish to argue that guilds were economically beneficial acknowledge that they engaged in rent-seeking, investing resources in obtaining legal monopolies and other economic privileges from the political authorities.”¹⁶ Against this, some authors have noted that guilds were often formed by the political authorities and so lacked the power to extract rents for their members.¹⁷ From Ogilvie’s perspective however this remains a collusive, rent seeking arrangement between guilds and governments, even if a larger share of the rents so collected flow to the government rather than the guilds.¹⁸

¹³ Gary Richardson, ‘A Tale of Two Theories: Monopolies and Craft Guilds in Medieval England and Modern Imagination’, *Journal of the History of Economic Thought* 23, no. 2 (June 2001): 217–42, <https://doi.org/10.1080/10427710120049237>. Pp219, 226.

¹⁴ Bo Gustafsson, ‘The Rise and Economic Behaviour of Medieval Craft Guilds an Economic-Theoretical Interpretation’, *Scandinavian Economic History Review* 35, no. 1 (1 January 1987): 1–40, <https://doi.org/10.1080/03585522.1987.10408080>; Epstein, ‘Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe’; Hickson and Thompson, ‘A New Theory of Guilds and European Economic Development’.

¹⁵ Jan Zanden, Tine De Moor, and Jan Lucassen, ‘The Return of the Guilds: Towards a Global History of the Guilds in Preindustrial Times’, *International Review of Social History* 53 (1 December 2008): 1–14, <https://doi.org/10.1017/S0020859008003581>. Pp 7 -8

¹⁶ Sheilagh Ogilvie, ‘Can We Rehabilitate the Guilds? A Sceptical Re-Appraisal’, Working Paper (Faculty of Economics, September 2007), <https://doi.org/10.17863/CAM.5174>. Pp4

¹⁷ Lars Edgren, ‘What Did a Guild Do? Swedish Guilds in the Eighteenth and Early Nineteenth Century’, *Guilds and Associations in Europe, 900-1900*, 2006, [https://portal.research.lu.se/portal/en/publications/what-did-a-guild-do-swedish-guilds-in-the-eighteenth-and-early-nineteenth-century\(7ae62ebf-268b-4ea4-8e63-cc27944ab3d6\)/export.html](https://portal.research.lu.se/portal/en/publications/what-did-a-guild-do-swedish-guilds-in-the-eighteenth-and-early-nineteenth-century(7ae62ebf-268b-4ea4-8e63-cc27944ab3d6)/export.html); Richard Holt and Gervase Rosser, *The English Medieval Town: A Reader in English Urban History, 1200-1540*, Readers in Urban History (London ; New York: Longman, 1990); B. J. P. van Bavel, *Manors and Markets: Economy and Society in the Low Countries, 500-1600* (Oxford: University Press, 2010). Pg 117-119

¹⁸ Sheilagh C. Ogilvie, *The European Guilds: An Economic Analysis*, Princeton Economic History of the Western World (Princeton: University Press, 2019). Pp 36-82

The positions of the two sides are represented well by an acerbic exchange between Epstein and Ogilvie.¹⁹ Epstein denies Ogilvie's accusation that he views guilds as socially optimal, and instead claims that their rent seeking behaviour was outweighed by the positive externalities created.²⁰ In effect, the rents generated were needed to incentivise socially beneficial activities, such as facilitating training and innovation.²¹ That rent seeking was not their primary purpose is evidenced to Epstein by the need of guilds often to compel membership.²² Ogilvie argues that there were no positive externalities, only deadweight welfare losses, and that guilds persisted because they benefitted powerful groups, not because they served a socially useful purpose.²³ Ogilvie has since sought to tackle this question by building large qualitative and quantitative databases on European guilds, documenting widespread market manipulation, political lobbying, and other rent seeking behaviour.²⁴ That rent seeking occurred appears undeniable.

However, the rent seeking debate has largely focused on whether guilds were primarily rent seeking (which is inherently viewed as inefficient) and not whether this behaviour – striving for political and distributional advantage – might have been in response to the rent seeking of others. There are a few exceptions – Brentano argued craft guilds arose to provide protection for artisans against the patricians, and Hickson and Thompson argue that guild 'rent seeking' behaviour was in fact an economically efficient institutional response, protecting against both internal and external capital expropriation.²⁵ Curiously

¹⁹ Sheilagh Ogilvie, 'Guilds, Efficiency, and Social Capital: Evidence from German Proto-Industry', *The Economic History Review* 57, no. 2 (2004): 286–333; S R Epstein, 'Craft Guilds in the Pre-Modern Economy: A Discussion', *The Economic History Review* 61, no. 1 (2008): 155–74, <https://doi.org/10.1111/j.1468-0289.2007.00411.x>; Sheilagh Ogilvie, 'Rehabilitating the Guilds: A Reply', *The Economic History Review* 61, no. 1 (2008): 175–82, <https://doi.org/10.1111/j.1468-0289.2007.00417.x>.

²⁰ S R Epstein, 'Craft Guilds in the Pre-Modern Economy'. Pp158, 168

²¹ Epstein, 'Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe'.

²² Epstein. Pg 686

²³ Ogilvie, 'Rehabilitating the Guilds'.

²⁴ Ogilvie, *The European Guilds*.

²⁵ Lujo Brentano, *On the History and Development of Gilds and the Origin of Trade-Unions* (Trubner, 1870); Hickson and Thompson, 'A New Theory of Guilds and European Economic Development'.

though this seems not to warrant much attention in the Ogilvie-Epstein debate, with Hickson and Thompson referred to by Ogilvie for their discussion of guilds as providers of external defence, rather than their discussion of protection against internal predation.²⁶ Epstein briefly mentions the role of protection against expropriation but argues that it cannot have been the main purpose of guilds, given their tendency to compel membership, and it does not count among the positive externalities he mentions.²⁷ Perhaps it should, as seeking to reduce rent extraction by others should be efficiency enhancing, provided the rent saved exceeded the cost of lobbying.

This seems an odd oversight and warrants further investigation. As we will see in sections 3 and 4, confronted by powerful landed elites, merchant guilds and even their peers in other professions, craft guilds did not spoil a rent-free, economically efficient paradise. Rather, their members were themselves the subject of aggressive rent extraction in both the political and market spheres. It is possible that guilds provided an efficient means of correcting these imbalances. Ogilvie seems to overlook this, pointing to contemporary complaints about guild market manipulation and expenditures on lobbying as evidence of their rent seeking behaviour, without questioning the motives of complainants or who the guilds were lobbying against.²⁸ As to Epstein's point on the compulsion of membership, a reading of the institutional literature in the next section suggests this is a necessity for meaningful collective action.

2.1. Guilds as institutions

North describes institutions as “humanly devised constraints that structure political, economic and social interactions”, with constraints both formal (laws) and informal (customs and sanctions).²⁹ Greif suggests a further distinction of private-order institutions which do not rely on the state, and which historically

²⁶ Ogilvie, ‘The Economics of Guilds’. Pg 178

²⁷ Epstein, ‘Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe’.

²⁸ Ogilvie, *The European Guilds*. Pp 177, 195-200, 204-206, 218-224

²⁹ Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, 1990). Pg 97

have been prominent when the legal system has been deficient.³⁰ Guilds are one example of such an institution, reliant on repeated interactions to build norms of reciprocity and group norms rather than formal legal measures, in most cases.³¹ Some authors suggest that the rent seeking actions of guilds in fact served to facilitate the functioning of the institution. Entry restrictions were key if norms of reciprocity were to be maintained, and the rents generated by monopoly rights (and their loss if excluded) could serve as an enforcement and commitment mechanism.³² In other contexts, compulsion of membership could prevent the undermining of collective agreements.³³

The need for institutional protections against rent extraction is not a new idea. A starting point is the risk posed to society by an overmighty state.³⁴ The literature on state capacity seems in consensus that while too weak a state cannot effectively carry out its role, constraints are needed if the state is not to become too strong and undermine secure property rights through predatory behaviour.³⁵ Greif argues that an unconstrained state harms itself through its inability to commit to a policy of non-arbitrary confiscation, and suggests that merchant guilds provided an efficient mechanism to commit the state to such a policy through the creation of constraints.³⁶ In his words, they guarded against the “grabbing hand” of the state.³⁷ What is more, it would be in the state’s interests

³⁰ Avner Greif, ‘The Fundamental Problem of Exchange: A Research Agenda in Historical Institutional Analysis’, *European Review of Economic History* 4, no. 3 (December 2000): 251–84, <https://doi.org/10.1017/S1361491600000071>.

³¹ Tine De Moor, ‘The Silent Revolution: A New Perspective on the Emergence of Commons, Guilds, and Other Forms of Corporate Collective Action in Western Europe’, *International Review of Social History* 53 (2008): 179–212. Pg 194-195

³² De Moor pg 194-195; Greif, Milgrom, and Weingast, ‘Coordination, Commitment, and Enforcement’ pg 749, 758; Greif, *Institutions and the Path to the Modern Economy*. Pg 100

³³ Epstein, ‘Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe’. Pg 687

³⁴ Douglass C. North and Barry R. Weingast, ‘Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England’, *The Journal of Economic History* 49, no. 4 (December 1989): 803–32, <https://doi.org/10.1017/S0022050700009451>.

³⁵ Noel D. Johnson and Mark Koyama, ‘States and Economic Growth: Capacity and Constraints’, *Explorations in Economic History* 64 (1 April 2017): 1–20, <https://doi.org/10.1016/j.eeh.2016.11.002>; Mark Dincecco, ‘The Rise of Effective States in Europe’, *The Journal of Economic History* 75, no. 3 (September 2015): 901–18, <http://dx.doi.org.gate3.library.lse.ac.uk/10.1017/S002205071500114X>.

³⁶ Greif, *Institutions and the Path to the Modern Economy*. Pp 91 - 123

³⁷ Greif. Pg 91

to agree to such constraints because doing so would increase the total volume of trade and so the revenues available to the state. Though focusing on merchant guilds, Greif does suggest that similar processes might drive the strong to help weaker parties organise into a countervailing power to allow commitment to mutually advantageous arrangements.³⁸ The formation of craft guilds seems an obvious potential example. Gustafsson argues that they helped reduce transaction costs in the presence of thin markets, and that without their role in reducing information asymmetries, market failure or even non-existence of the market was a probable outcome.³⁹ Hickson and Thompson suggest that absent the rule of law, it became increasingly efficient for ruling oligarchies of merchants and landowners to enter such a compact with craftsmen via the guild system.⁴⁰ Ogilvie though takes issue with the efficiency view of institutional change and suggests instead that institutions primarily evolve under pressure from conflicts over distribution, which suggests that rights would not be forthcoming for artisans unless they fought for them.⁴¹

Both economic and social historians make a case for guilds as a vehicle for organisation and negotiation. One interpretation is that the economy of the time was best understood as a bargaining economy, with prices determined by negotiation. Guilds as an institution reduced the costs of that process and generated a more even distribution of bargaining power.⁴² Another related point is that craftsmen faced risks they could try to limit by collective action; securing a minimum income, buying inputs in bulk, pooling resources to file petitions and so on.⁴³ Hinting at the imbalances faced by artisans, Rosser notes that without

³⁸ Greif. Pg 122-123

³⁹ Gustafsson, 'The Rise and Economic Behaviour of Medieval Craft Guilds an Economic-Theoretical Interpretation'. Pg 17

⁴⁰ Hickson and Thompson, 'A New Theory of Guilds and European Economic Development'. Pp 145-146

⁴¹ Sheilagh Ogilvie, "Whatever Is, Is Right"? Economic Institutions in Pre-Industrial Europe', *The Economic History Review* 60, no. 4 (2007): 649–84.

⁴² Karl Gunnar Persson, *Pre-Industrial Economic Growth: Social Organization and Technological Progress in Europe* (Oxford: Basil Blackwell, 1988). Pg 53

⁴³ De Moor, 'The Silent Revolution'. Pg 203-204

guilds they often lacked a support network, access to credit, raw materials or customers given the lack of public order institutions or trust.⁴⁴

The view of guilds as private order institutions substituting for public order institutions is disputed by Ogilvie. Though conceding that “guilds provided an organisational mechanism for groups of businessmen to negotiate with political elites” she argues that rather than substituting for governments guilds colluded with them, seeking privileges in return for favours.⁴⁵ Guilds are defined instead as particularised institutions in which rules apply differently to different groups, rather than generalised institutions with uniform application of rules.⁴⁶

Consequently, while guilds improved representation and gained privileges for their own members, they reduced the rights of other marginalised groups.⁴⁷

In part, the interpretation of the relative harm done by guild rent seeking seems dependent on the counterfactual. Without guilds, were artisans and others subject to expropriation and abuse, or were all members of society treated equally until craft guilds disturbed an egalitarian paradise? The next section examines the literature surrounding urban life in the era of guilds.

3. Urban Society

The middle ages in Europe saw the rise of chartered towns, distinguished from villages and rural areas by unique privileges granted by the charters which gave them their name.⁴⁸ Typically, charters granted legal security against arbitrary

⁴⁴ Rosser, ‘Crafts, Guilds and the Negotiation of Work in the Medieval Town’ pg 8-10; Rosser, *The Art of Solidarity in the Middle Ages*. Chapter 1.

⁴⁵ Ogilvie, *The European Guilds*. Pg 38

⁴⁶ Sheilagh Ogilvie and A. W. Carus, ‘Chapter 8 - Institutions and Economic Growth in Historical Perspective’, in *Handbook of Economic Growth*, ed. Philippe Aghion and Steven N. Durlauf, vol. 2, *Handbook of Economic Growth* (Elsevier, 2014), 403–513, <https://doi.org/10.1016/B978-0-444-53538-2.00008-3>.

⁴⁷ Sheilagh Ogilvie, ‘Thinking Carefully about Inclusiveness: Evidence from European Guilds’, *Journal of Institutional Economics* 17, no. 2 (April 2021): 185–200, <https://doi.org/10.1017/S1744137420000508>. Pg 6

⁴⁸ Keith D. Lilley, *Urban Life in the Middle Ages, 1000-1450* (Houndmills, Basingstoke, Hampshire: Palgrave, 2002). Pg 49

feudal jurisdiction, some autonomy, and more broadly a degree of security of property.⁴⁹ Importantly, freedoms were granted on a particularised, not generalised basis; outside of charter towns, corvee service and arbitrary confiscation remained a real risk.⁵⁰ Further, these rights were not extended to everyone living in the town, but only to ‘citizens’, a term initially local rather than national, and subject to a range of exclusions which varied by location.⁵¹

Access to citizenship was possible through purchase, inheritance, marriage, and in some cases through apprenticeship and guild membership.⁵² Political and economic rights therefore were determined by implicit and explicit wealth and income restrictions, but even more so prior to the proliferation of craft guilds. Consequently, early citizenship, and control of legislative and executive power, was chiefly confined to landowners and merchants, particularly prior to the 13th century.⁵³ Hilton estimates that up to 75% of a city’s population might be excluded from citizenship in 12th century England.⁵⁴ This created obvious scope for exploitation of non-citizens, artisans included.

This dominance was often used to control artisans, with political supremacy translating to control of manufacturing and trade.⁵⁵ Labour markets too often fell under the control of the urban elite, who could fix wages as well as prices.⁵⁶ The tax system was also manipulated to favour the landed and mercantile elites, regressive and absent wealth or income taxes.⁵⁷ This all amounted to rent

⁴⁹ Lilley pg 50; Spruyt, *The Sovereign State and Its Competitors*. Pg 75

⁵⁰ Spruyt, *The Sovereign State and Its Competitors*. Pg 90

⁵¹ Chris Minns et al., ‘The Extent of Citizenship in Pre-Industrial England, Germany, and the Low Countries’, *European Review of Economic History* 24, no. 3 (1 August 2020): 601–25, <https://doi.org/10.1093/ereh/hez005>.

⁵² Minns et al. Pg 605- 606

⁵³ Holt and Rosser, *The English Medieval Town* pg 8-9; Nicholas, *The Growth of the Medieval City* pg 115-121, 129-132; Waley, *The Italian City-Republics* pg 120-122.

⁵⁴ R Hilton, *English and French Towns in Feudal Society: A Comparative Study*, Past and Present Publications (Cambridge [England] ; New York: Cambridge University Press, 1992). Pg 91-92

⁵⁵ Hilton, Pg 18, 97-98, 101; Nicholas, *The Growth of the Medieval City*. Pg 220 - 222

⁵⁶ Keene, ‘English Urban Guilds, c.900-1300: The Purposes and Politics of Association’ pg17-18; DuPlessis and Howell, ‘Reconsidering the Early Modern Urban Economy’.

⁵⁷ R H Hilton (Rodney Howard), *English and French Towns in Feudal Society* pg 137; van Bavel, *Manors and Markets*. Pg 117-119

seeking behaviour by the new urban elite, worsening inequality.⁵⁸ This was the backdrop for increased political agitation by the craft guilds.

Guilds in Europe appear to have been an urban phenomenon, proliferating rapidly in Italy and the Low Countries alongside urbanisation.⁵⁹ By 1200, most northern Italian cities had multiple craft guilds after a surge in population, and the Low Countries saw near-simultaneous development of towns and craft guilds in the 11th century.⁶⁰ England also saw growth in craft guilds in the 11th and 12th centuries, linked to rapid urban growth.⁶¹ Keene suggests that a lack of state capacity may also have driven guild growth, with the need to delegate fiscal and administrative responsibilities driving demand for a private order institution as a substitute.⁶² It also seems possible that guilds formed in “opposition to the monopolistic practices or deliberate discrimination of the urban ruling classes” as Swanson suggests.⁶³

Spruyt argues that the political rise of towns was in part the result of the bargain suggested by Greif, but also that rulers might seek alliances with weaker groups, strengthening them in the process, to offset a third party.⁶⁴ The transition away from the feudal system, in this view, was linked to an alliance between kings and towns against the feudal nobility. To the extent that the rise of guilds was inextricable from the rise of towns, this again suggests a role for craft guilds in constraining the rent seeking behaviour of other groups through alliances with rulers or other elites.⁶⁵ Guilds might act as “catalysts of collective

⁵⁸ Fabian Wahl, ‘Origins of Political Change. The Case of Late Medieval Guild Revolts’, SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 14 November 2014), <https://doi.org/10.2139/ssrn.2527798>.

⁵⁹ Miguel Laborda-Pemán, ‘The Economic Impact of the Craft Guilds: A Quantitative Analysis for Dutch and Italian Cities’ (2013), <http://www.ehes.org/LabordaPemaen.pdf>.

⁶⁰ Nicholas, *The Growth of the Medieval City* pg 136-137; De Munck, Lourens, and Lucassen, ‘The Establishment and Distribution of Craft Guilds in the Low Countries, 1000–1800’. Pg 36

⁶¹ Keene, ‘English Urban Guilds, c.900-1300: The Purposes and Politics of Association’. Pg 9

⁶² Keene. Pg 11

⁶³ Heather Swanson, ‘The Illusion of Economic Structure: Craft Guilds in Late Medieval English Towns’, *Past & Present*, no. 121 (1988): 29–48. Pg 32

⁶⁴ Spruyt, *The Sovereign State and Its Competitors*.

⁶⁵ De Munck, Lourens, and Lucassen, ‘The Establishment and Distribution of Craft Guilds in the Low Countries, 1000–1800’.

action and convenient channels for a wide range of viewpoints and interests”.⁶⁶ Like the rent seeking view, this has deep historiographical roots, with Seligman arguing that guilds were favoured by towns for their role in upholding municipal regulations, and Pirenne asserting that craft guilds provided the basis of urban democracies in the Low Countries.⁶⁷

As they emerged, craft guilds did not immediately gain representation. Indeed, they were often established by the state or by urban elites as a means of regulating labour and markets and initially kept firmly in check.⁶⁸ In section 2 we discussed the view of Greif and others that merchants and other elites would come to grant rights to artisans for reasons of efficiency and expanding trade, we mentioned also Ogilvie’s conflict view of institutional change.⁶⁹ A reading of urban histories would seem to support Ogilvie here; power was not conceded lightly, as we will see in the case of England, the Low Countries, and Italy. In a Europe dominated by small oligarchies, guilds came to form the core of political opposition.⁷⁰

3.1. Regional case studies

Echoing Spruyt on the political rise of towns generally, Ogilvie highlights that often guilds won power through collaboration with other groups, whether governments or elites, with beneficial effects where this broke a monopoly on power.⁷¹ She notes also that an inverse relationship existed between guilds and seigneurial authority existed, with each keeping the other in check, and

⁶⁶ Gervase Rosser, ‘Big Brotherhood: Guilds in Urban Politics in Late Medieval England’, in *Guilds and Association in Europe, 900-1900*, by Ian Anders Gadd and Patrick Wallis (London: Centre for Metropolitan History, University of London, 2006). Pg 38

⁶⁷ Seligman, ‘Two Chapters on the Mediaeval Guilds of England’; Pirenne cited in Lis and Soly, ‘Craft Guilds in Comparative Perspective’. Pg 3

⁶⁸ Edgren, “What Did a Guild Do?”; Holt and Rosser, *The English Medieval Town* Chapter 1; van Bavel, *Manors and Markets*. Pg 117-119

⁶⁹ Greif, *Institutions and the Path to the Modern Economy* pg 91 -123; Hickson and Thompson, ‘A New Theory of Guilds and European Economic Development’; Ogilvie, “Whatever Is, Is Right”?

⁷⁰ Black, *Guilds and Civil Society in European Political Thought from the Twelfth Century to the Present*. Pg 66

⁷¹ Ogilvie, *The European Guilds*. Pg 39-40

benefitting the economy in the process. The case of Italy, particularly Florence, helps illustrate this point.

Urban politics in Italy was dominated initially by landowners, in some cases by a single dynasty. Together with wealthy merchants, they formed the ‘magnates’, in opposition to the ‘popolo’; non-elites which came to be led by the guilds.⁷² The *popolo* combined disparate groups, merchants and bankers wealthier than the magnates but excluded from power, and artisans and shopkeepers demanding fairer taxation and rule.⁷³ *Popolo* victories in conflicts with the magnates often resulted in greater popular representation on city councils in the 13th century, and reduced the threat of arbitrary confiscation.⁷⁴

Najemy provides a detailed account of the guilds in Florentine politics.⁷⁵ The initial dominance of the urban patriciate saw violent conflict between two aristocratic factions, the Guelfs and Ghibellines. As part of a reconciliation led by the papacy in 1280, guilds were assigned a role as guarantors, gradually gained greater powers and eventually replaced the aristocratic government with a guild ‘priorate’ in 1283.⁷⁶ Though first dominated by mercantile elites, monthly elections were driven by negotiation and saw growing pressure for broader representation by other guilds. A reform movement driven by dissatisfaction with the priorate’s representation of artisan interests won a major victory in 1292, expanding the priorate to 12 major guilds with a lesser role also provided for a further nine minor guilds.⁷⁷ According to Najemy, this ushered in a half decade of popular government and radical policies undermining the power of the oligarchy, to the point of excluding the aristocracy from government.⁷⁸ However, this prompted resistance and repeated conflict over the next century until the

⁷² Waley, *The Italian City-Republics*. Pg 118-122, 131, 134

⁷³ Nicholas, *The Growth of the Medieval City*. Pg 261

⁷⁴ Waley, *The Italian City-Republics* pg 136-139; Nicholas, *The Growth of the Medieval City*. Pg 308-310

⁷⁵ John M. Najemy, *Corporatism and Consensus in Florentine Electoral Politics, 1280-1400* (Chapel Hill, N.C.: University of North Carolina Press, 1982).

⁷⁶ Najemy. Pg 17-19

⁷⁷ Najemy. Pg 41

⁷⁸ Najemy. Pg 47-48

guilds were fully co-opted by the oligarchy, with a majority of major guildsmen brought into the electoral process and greater numbers approved for high office.⁷⁹

In the Italian case then, the extension of political rights to craft guilds seems closer to Ogilvie's "conflict" view of institutional change, and perhaps supports her contention that guilds typically ended colluding with other elites. However, the guilds also won a measure of power as part of an externally imposed mechanism to reduce conflict and grow trade, in line with the arguments of Spruyt and Greif. It shows also that guilds did win greater representation for their members, and it is difficult to see the position of the 14th century as in some way less inclusive than the Italy of the 12th century. The 'rent seeking' behaviour of the guilds helped to reduce extractive behaviour by the magnates, in line with Epstein's assertion that an increase in centralised bargaining does not necessarily imply more rent seeking, if it helps eliminate other opportunities for rent seeking that arose with narrower rights.⁸⁰

In England, as in Italy, guilds helped form political relationships and coordinated collective action, and could challenge urban authorities.⁸¹ Towns saw conflicts both between their communities and feudal interests – though unlike Italy the aristocrats were rarely urbanites themselves – and between craft and merchant guilds, which sought to subordinate artisans.⁸² Craft guilds often came to lead protests, violent or otherwise, against urban, feudal and ecclesiastical authorities from the mid-13th century.⁸³ According to Keene, in some urban regimes guilds obtained greater regulatory autonomy, and were granted a larger role in urban governance and access to 'highest privileges of citizenship' as a

⁷⁹ Najemy. Pg 305-307

⁸⁰ S. R. Epstein, 'Craft Guilds in the Pre-Modern Economy: A Discussion', *The Economic History Review* 61, no. 1 (2008): 155–74, <https://doi.org/10.1111/j.1468-0289.2007.00411.x>. Pg 168

⁸¹ Rosser, 'Big Brotherhood: Guilds in Urban Politics in Late Medieval England'. Pg 33 -36

⁸² Hilton, *English and French Towns in Feudal Society*. Pg 127

⁸³ Ogilvie, *The European Guilds* pg 549-550; Hilton, *English and French Towns in Feudal Society* pg 136; Keene, 'English Urban Guilds, c.900-1300: The Purposes and Politics of Association'. Pg 19

result.⁸⁴ England is also notable for a system in which citizenship became available via guild membership, such that guilds provided a route to political and economic rights for a broader section of society.⁸⁵ Two examples from London and Coventry can help illustrate the dynamics at play.

Barron describes an artisan-merchant guild conflict in London between 1438 and 1444.⁸⁶ An initial dispute between the Tailors and Drapers guilds escalated into a larger conflict between artisans and merchants, who controlled municipal government and abused that power to control the trade of the artisans⁸⁷. In their dispute, the Tailors and Drapers both lobbied for privileges relative to one another, but it is important to note that the Tailors at least lobbied with some justification; the Drapers controlled the demand, supply and regulation of cloth. In this context, the privileges temporarily won by the Tailors chiefly served to reduce the rents extracted by their merchant counterparts. An opposition party arose to voice the concerns of craftsmen around assorted abuses of power first through peaceful and then violent means. The guilds were instrumental, with the opposition headed by tailor Ralph Holland and substantially supported by the Tailors, Saddlers, Skinners, Brewers and Goldsmiths.⁸⁸ While the uprising ultimately failed, the next year the municipality implemented a new charter curbing the possibility of abuses and reinforcing the liberties of citizens.⁸⁹ Pressure from guilds could curb excesses of rent seeking even if their main goals were not accomplished.

Coventry in 1480 also saw a mercantile oligarchy pitted against guilded artisans, who opposed the oligarchy for their manipulation of taxation, monopoly on wholesale trade, and control of the prices of inputs of raw materials for tanners,

⁸⁴ Keene, 'English Urban Guilds, c.900-1300: The Purposes and Politics of Association'. Pg 19

⁸⁵ Christian D. Liddy, *Contesting the City: The Politics of Citizenship in English Towns, 1250 - 1530*, Oxford Studies in Medieval European History (Oxford: Oxford University Press, 2017), <https://doi.org/10.1093/oso/9780198705208.001.0001>. Pg 45

⁸⁶ Caroline Barron, 'Ralph Holland and the London Radicals, 1438-1444', in *The Medieval Town: A Reader in English Urban History 1200-1540*, by Richard Holt and Gervase Rosser, n.d.

⁸⁷ Barron. Pg 160

⁸⁸ Barron. Pg 176

⁸⁹ Barron. Pg 181-182

weavers, and whittawers, and restricting access to common land.⁹⁰ Broadly, the oligarchy “sought to rule the crafts with a rod of iron”.⁹¹ Again, the artisans organised into craft guilds and formed a party opposing the oligarchy. Beyond organisation, the importance of mutual support also came into play when their leader, Laurence Saunders, was imprisoned for leading protests and had to be bailed out of prison, and would repeatedly require legal support.⁹² While on this occasion the oligarchy emerged victorious, showing guilds were not a failsafe protection against rent seeking by elites, the need for such an institution is clear. Again, guild ‘rent seeking’ here is not obviously a negative.

Guilds in the Low Countries formed alliances in the 13th and 14th centuries with other groups to gain political power in an urban sphere riven by splits between feudal counts and cities, between patricians and craftsmen, peasants and nobles, and craftsmen and other craftsmen.⁹³ Urban resistance came in response to abuses of power by elites, with craftsmen increasingly organising into guilds to exercise social, economic and military pressure.⁹⁴ Military victory for the guilds in alliance with the Flemish count and wealthy burghers excluded from government, against urban elites allied with the French in 1302 saw guilds take power in major Flemish cities, broadening representation.⁹⁵ Different regimes prevailed in different parts of the Low Countries, but even lacking direct representation guilds could still exert influence by petitioning and collective gatherings, with varying degrees of implicit and explicit disorder attached to both.⁹⁶ Even in the north, where guilds were slower to form and won less power, they remained a vehicle of representation because of their role in “sounding out

⁹⁰ Mary Dormer-Harris, ‘Laurence Saunders, Citizen of Coventry’, *The English Historical Review* 9, no. 36 (1894): 633–51; W B Stephens, *A History of the County of Warwick: Volume 8, the City of Coventry and Borough of Warwick* (Victoria County History, London, 1969). Pg 208 - 221

⁹¹ Dormer-Harris, ‘Laurence Saunders, Citizen of Coventry’. Pg 637

⁹² Dormer-Harris. Pg 646

⁹³ Jan Dumolyn and Jelle Haemers, ‘Patterns of Urban Rebellion in Medieval Flanders’, *Journal of Medieval History* 31, no. 4 (1 December 2005): 369–93, <https://doi.org/10.1016/j.jmedhist.2005.08.001>.

⁹⁴ van Bavel, *Manors and Markets*. Pg 119-120

⁹⁵ Dumolyn and Haemers, ‘Patterns of Urban Rebellion in Medieval Flanders’. Pg 374 - 376

⁹⁶ H V van Nierop, ‘Popular Participation in Politics in the Dutch Republic’, in *Resistance, Representation and Community*, by Peter Blickle (Clarendon, 1997). Pg 287-288

opinions of artisans during politically troubled times”.⁹⁷ One dissenting view is that artisan-friendly policies in places like Lille and Leiden were conditioned less by powerless craftsmen than an ideology promoting the ‘common good’.⁹⁸ Even so, this view acknowledges the risk posed by popular unrest.⁹⁹

Nonetheless it is instructive to compare the different regimes which emerged in the Low Countries, in that it illustrates the difference made by different balances of political power between the crafts and other groups. Prak divides the region into three by the 17th century, with guilds active in local government in the south, represented via citizen participation in the east, and minimal representation in the west.¹⁰⁰

In the south, though directly represented guilds remained at a disadvantage, outnumbered by the bourgeoisie on the executive and with annual appointments compared to lifelong tenures. However, guilds opposed taxes and privileges, often via popular demonstrations, and were “perceived as closely linked with the popular cause”.¹⁰¹

In the east, though lacking direct representation, guild approval was required for new taxation and other policies in 15th century Arnhem, later as part of a ‘common council’. When this was pushed aside by urban elites in the 17th century, guilds and civic militias led efforts (including popular protests) for repeal.¹⁰²

In the west, absent any representation, urban elites, dominated by merchants and rentiers, controlled the appointment of guild administrators. Guilds instead

⁹⁷ De Munck, Lourens, and Lucassen, ‘The Establishment and Distribution of Craft Guilds in the Low Countries, 1000–1800’. Pg 41

⁹⁸ DuPlessis and Howell, ‘Reconsidering the Early Modern Urban Economy’. Pg 72

⁹⁹ DuPlessis and Howell pg 76; DuPlessis, *Lille and the Dutch Revolt*. Pg 212, 309-311

¹⁰⁰ Maarten Prak, ‘Corporate Politics in the Low Countries: Guilds as Institutions’, in *Craft Guilds in the Early Modern Low Countries*, by Catharina Lis, Hugo Soly, and Maarten Prak (Routledge, 2006). Pg 92

¹⁰¹ Prak. Pg 95

¹⁰² Prak. Pg 96 - 99

exerted influence via petitions, pressing for trade protection as a quid pro quo for taxes, and for the right to levy fees on customers (merchants) to pay for guild poor support.¹⁰³

This political divergence is linked by Lis and Soly to a divergence in industry, with output in Holland 5% of that in the south by the mid 16th century.¹⁰⁴ Adopting an institutional perspective, they argue a larger role for guilds reduced transaction costs, providing another argument that by countering rent seeking by other groups guilds could improve overall efficiency.¹⁰⁵

Overall, the history of urban politics shows that guilds did engage in behaviour strictly described as rent seeking, expending resources in pursuit of political advantage, as Ogilvie's data shows.¹⁰⁶ However, the context matters. Across history and geographies, the political activities of guilds helped to redress great imbalances between formerly disorganised artisans and the feudal and mercantile elites. Ogilvie's data on the extent of guild lobbying only tells part of the story – guild lobbying was often counter-lobbying against that by merchants, or else a form of pressure to address extractive taxation and regulation. Absent guild organisation, their members were typically subject to a high degree of rent extraction. When guilds were abolished in the Netherlands, “most artisans and workers [were] deprived of political citizenship rights”, with a similar story playing out in the UK as guilds declined, concentrating rights again in the hands of a small wealthy elite.¹⁰⁷ At least in some cases, it seems plausible that guild ‘rent seeking’ might therefore have reduced the overall level of rent seeking in a society.

¹⁰³ Prak. Pg 100 - 104

¹⁰⁴ Catharina Lis and Hugo Soly, ‘Export Industries, Craft Guilds and Capitalist Trajectories, 13th To 18th Centuries’, in *Craft Guilds in the Early Modern Low Countries*, by Maarten Prak, Catharina Lis, and Hugo Soly (Routledge, 2006). Pg 111

¹⁰⁵ Lis and Soly. Pg 109

¹⁰⁶ Ogilvie, *The European Guilds*. Pg 172-231

¹⁰⁷ Marcel Hoogenboom et al., ‘Guilds in the Transition to Modernity: The Cases of Germany, United Kingdom, and the Netherlands’, *Theory and Society* 47, no. 3 (1 June 2018): 255–91, <https://doi.org/10.1007/s11186-018-9316-8>. Pg 276, 282

4. Guilds as bilateral monopolies

Alongside political activities, guilds are accused of abusing their market power to act as classic monopolists as discussed in section 2, resulting in sub-optimal levels of production and high prices.¹⁰⁸ We have discussed already some competing interpretations of this behaviour, but it should also be noted that this description of market structure has also been contested. Richardson provides a good survey of this literature and notes the changing meaning of monopoly over time, arguing that often guilds were best regarded as monopsonists and monopolistic competitors, rather than monopolists.¹⁰⁹ However, the idea that guilds led to distortions from a more efficient equilibrium has seen less challenge.

We know from section 3 that guilds faced merchant guilds, landed elites, and other craft guilds, all with their own privileges. As Epstein says, “the guilds as a whole were often at odds with the merchant corporations [which were] better represented in local government”.¹¹⁰ This suggests that often a better description of market structure might be one of ‘bilateral monopoly’ wherein a monopolist faces a monopsonist.¹¹¹ If true, this would also mean that in the absence of craft guilds, what would prevail would not be the perfectly competitive price and quantity, but rather a monopolistic equilibrium, perhaps of a merchant guild versus atomistic artisans.

Bilateral monopolies seem largely neglected by the guild literature. The most common example in firm theory literature is trade unions facing a single

¹⁰⁸ Gross, *The Guild Merchant*; Black, *Guilds and Civil Society in European Political Thought from the Twelfth Century to the Present*; Ogilvie, *The European Guilds*. Chapter 4. See also the discussion in section 2

¹⁰⁹ Gary Richardson, ‘Guilds, Laws, and Markets for Manufactured Merchandise in Late-Medieval England’, *Explorations in Economic History*, *Explorations in Economic History*, 41, no. 1 (2004): 1–25, [https://doi.org/10.1016/S0014-4983\(03\)00045-7](https://doi.org/10.1016/S0014-4983(03)00045-7).

¹¹⁰ Epstein, ‘Craft Guilds, Apprenticeship, and Technological Change in Preindustrial Europe’. Pg 686

¹¹¹ Siddhartha Dasgupta and Stephen Devadoss, ‘Equilibrium Contracts In a Bilateral Monopoly with Unequal Bargaining Powers’, *International Economic Journal* 16 (1 February 2002): 43–71, <https://doi.org/10.1080/10168730200080003>. Pg 1 -2

employer.¹¹² This should not confuse our discussion; we do not mean to conflate guilds with trade unions, the implications are similar whether we look at labour or goods. A bilateral monopoly creates a market situation with an undetermined outcome, with equilibrium price and output determined by a process of bargaining, dependent on the relative market power of the two parties, which can derive from political as well as economic power.¹¹³ In general, the bilateral monopoly outcome should result in a higher output than in a pure monopoly or monopsony situation, and thus a smaller deadweight loss, but will in most cases still be less efficient than a perfectly competitive equilibrium.¹¹⁴ In assessing the impact of guilds on efficiency, it therefore matters how close markets were to perfect competition in their absence.

A world with market equilibrium decided by negotiation and relative market power sounds very similar to Persson's description of the pre-industrial economy.¹¹⁵ We saw also in section 3 that political imbalances in favour of merchants and other elites were common, which would be expected to increase their bargaining power relative to artisans, suggested by Swanson as a reason for guild formation.¹¹⁶

It is not difficult to find examples where craft guilds faced a monopoly or monopsony. English craft guilds were often required to sell exclusively to local merchants who also controlled the supply of raw materials.¹¹⁷ Across Europe, tanners typically controlled the supply of leather needed by multiple crafts, while drapers controlled market access for textiles in many regions.¹¹⁸ Ogilvie

¹¹² Alan Manning, 'Monopsony and the Efficiency of Labour Market Interventions', *Labour Economics* 11, no. 2 (1 April 2004): 145–63, <https://doi.org/10.1016/j.labeco.2003.09.003>.

¹¹³ Paolo Sylos Labini, 'A Few Remarks on Monopoly and Monopsony', *Rivista Internazionale Di Scienze Sociali* 121, no. 3/4 (2013): 387–403. Pg 391, 396-398

¹¹⁴ Morgan, 'Bilateral Monopoly and the Competitive Output' pg 391; Labini, 'A Few Remarks on Monopoly and Monopsony'. Pg 391

¹¹⁵ Persson, *Pre-Industrial Economic Growth*. Pg 50-55

¹¹⁶ Swanson, 'The Illusion of Economic Structure'. Pg 32

¹¹⁷ Soly, 'The Political Economy of European Craft Guilds' pg 66; Holt and Rosser, *The English Medieval Town*. Pg 9 -10

¹¹⁸ David Nicholas, *The Later Medieval City, 1300-1500*, History of Urban Society in Europe (London: Longman, 1997). Pg 222, 231

records numerous examples of restrictions on output and input markets by guilds, which would have impacted other guilds in many cases.¹¹⁹ Guilds offered a vehicle for collective action to address this imbalance, whether by buying in bulk to reduce costs, as in s'-Hertogenbosch and Venice, or by pooling resources to finance lobbying to counter the privileges of other groups.¹²⁰ Consequently, showing that guilds altered prices for outputs or inputs does not allow us to conclude, as Ogilvie does for example, that “costs were lower than if input markets had been competitive”.¹²¹ In a bilateral monopoly situation, the price prevailing before guild action would not be a competitive market price.

4.1. Case studies

Two case studies may help to illustrate this point further. The first is Ogilvie's own case study of the worsted industry of Wurttemberg.¹²² Both weavers and merchants were organised into guilds or similar structures. While weavers held a monopoly on production from early on, trade was open until 1650 when the merchants gained a monopoly forcing weavers to sell exclusively to them at fixed prices and quotas in a clear example of a bilateral monopoly.¹²³ These prices and quotas were set in a process Ogilvie calls ‘monopoly contracting’; negotiations between the two guilds supervised by the state.¹²⁴ As Soly notes, the superior resources and political connections of the merchants meant these negotiations typically went in their favour.¹²⁵ We can only guess at the outcome had weavers lacked guild organisation, but the theory suggests a worse result from a market efficiency perspective. Ogilvie contends that this market structure had negative consequences for the wider economy, resulting in lower quality wool in part because of disputes over the price of raw wool and in part because the two guilds colluded to impose pay ceilings on spinners. This is a helpful reminder that

¹¹⁹ Ogilvie, *The European Guilds*. Pg 177-180, 189-194

¹²⁰ De Moor, ‘The Silent Revolution’. Pg 203-204

¹²¹ Ogilvie, *The European Guilds*. Pg 173

¹²² Sheilagh Ogilvie, ‘Guilds, Efficiency, and Social Capital: Evidence from German Proto-Industry’, *The Economic History Review* 57, no. 2 (2004): 286–333, <https://doi.org/10.1111/j.1468-0289.2004.00279.x>.

¹²³ Ogilvie. Pg 289-290

¹²⁴ Ogilvie. Pg 298

¹²⁵ Soly, ‘The Political Economy of European Craft Guilds’. Pg 61-62

considering the merchants and weavers only is a partial equilibrium analysis, and that the general equilibrium, including the entire economy, could be different. However, with a simple merchant monopoly, it is still possible merchants would have imposed pay ceilings on spinners in addition to squeezing weavers, and cloth quality would presumably suffer again. While a bilateral monopoly was imperfect, we cannot readily conclude it was the worst possible outcome.

The second case study is Poni's account of early modern Bologna, which contains one of the few mentions of bilateral monopoly in the guild literature.¹²⁶ Poni focuses on the skin trade, linking butchers, tanners and shoemakers. Tanners held a monopoly over the supply of tanned leathers, shoemakers a monopoly over shoemaking, and lacked monopsony over leathers but were the biggest buyer. Prices were therefore negotiated between the guilds, who would request arbitration by the authorities if no agreement could be reached.¹²⁷ The shoemakers were successful on some occasions in winning a reduction in price either through negotiation or lobbying the authorities, on the basis that raw material costs for the tanners had fallen.¹²⁸ Lacking a guild, it seems likely that prices would have been higher. As it was, a reliance on the tanners for credit occasionally limited the ability of the shoemakers to complain about price increases, demonstrating the multiple sources of market power.¹²⁹

The tanners also enjoyed a monopsony over the purchase of hides from the butchers, who held a monopoly, and a similar negotiation process existed between the two guilds. An additional component to mention here is that each member of the tanners' guild had the right to a certain number of hides, a measure implemented after richer tanners sought to monopolise the supply to

¹²⁶ Carlo Poni, 'Local Market Rules and Practices. Three Guilds in the Same Line of Production in Early Modern Bologna', in *Domestic Strategies: Work and Family in France and Italy, 1600-1800*, by S. J. Woolf (Cambridge University Press ; Editions de La Maison des sciences de l'homme, 1991). Pg 81 for bilateral monopoly reference.

¹²⁷ Poni. Pg 73-74

¹²⁸ Poni. Pg 73-74, 80

¹²⁹ Poni. Pg 76

the detriment of their poorer peers and sold leathers at increased prices. On this occasion the guild helped constrain its own members' rent seeking. Later attempts to undo these restrictions were abandoned after opposition from the shoemakers' guild who complained about the resultant higher prices and lower quality.¹³⁰ Again, without a guild, shoemakers may have been powerless to prevent this rent seeking behaviour.

In contrast to the implicit assumption made in the 'guilds as monopolies' literature, many guilds emerged and operated in a world heavily distorted by political and market power. Artisans were not supplying an atomistic marketplace of similarly sized merchants and consumers. Instead they were dealing with large wholesalers, members of merchants guilds, or powerful elites who might be their sole customers or suppliers.

Restrictions on entry, and elsewhere the compulsory membership of guilds, might then have been 'efficient' in that they granted enough market power to negotiate with monopsonists and monopolists, resulting in a more efficient outcome than if the artisans were to remain atomistic. Perfect competition would be more efficient, but an unrealistic prospect given the sizeable political inequalities at the time. Evidence on the anti-competitive impact of guilds should be seen through this lens. Ogilvie for example relies on contemporary testimony and price data to demonstrate that guilds caused prices to deviate from competitive levels, but complaints often came from merchants, suppliers and other producers, and price changes were relative to an often already uncompetitive equilibrium.¹³¹

5. Conclusion

This essay sought to shed new light on guild rent seeking, motivated by the implicit assumption in much of the existing literature that guild lobbying and

¹³⁰ Poni. Pg 82-85, 91

¹³¹ Ogilvie, *The European Guilds*. Pg , 195-200, 218-224

market manipulation alone drove deviations from an egalitarian and competitive equilibrium. The history of urban political development however makes clear that artisans faced sizeable imbalances of political power relative to landed and mercantile elites, often excluded from citizenship and subject to arbitrary justice and expropriation. These political imbalances helped create similar mismatches of market power, with merchants often controlling both the supply of inputs and demand for outputs. In this context, it is insufficient and inaccurate to describe a guilded industry as merely ‘monopolistic’, leading to incorrect inferences about the impact of craft guilds on output and prices. A better fit is the bilateral monopoly model, which more closely resembles the negotiation framework by which equilibrium was achieved. Crucially, a bilateral monopoly is likely to lead to a more efficient outcome than a simple monopoly.

Guild ‘rent seeking’ therefore may frequently have helped to reduce overall rent extraction in a given market and society. Politically, they were able to win a greater measure of political representation, and economically they were able to improve upon the pure monopoly or monopsony situation that often prevailed in their absence. Of course this was not always the case, and this remains only a partial equilibrium treatment; it is possible still for unguilded groups for example to face greater extraction as the number of guilds grows, and if that increase is large enough it may offset the reductions won by the guilds for their members. Measuring this is beyond the scope of this paper, but it is clear that in judging the effects of guild rent seeking, context is crucial.

Future work could seek to situate data on ‘distortions’ within that context, exploring in each case whether guilds faced monopolies or monopsonies, and whether their members were subject to rent extraction. A renewed focus on urban politics and market functioning could help paint a more accurate picture of the true nature of guild rent seeking.

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