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Author(s): Karl-Heinz Waldow

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The rise and decline of regional power: A historical case-study of privilege seeking*

KARL-HEINZ WALDOW

University of Lüneburg, FB II, Barckhausenstr. 35, D-21332 Lüneburg, Germany

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Abstract. This paper comprises one of Olson's findings about the rise and decline of nations and Tullock's idea of privilege-seeking. In the historical framework of Northern Europe the history of a town being closely linked with its saltern is investigated. It is shown that throughout the centuries rent- and privilege-seeking dominated. This was primarily done to avoid competition and, finally, to get excessive revenues. The sovereigns' production-costs of the privileges were low and Tullock's results of an efficient transfer mechanism are confirmed. Additionally, the findings of coalition-forming and mortgaging support the inevitable sclerotic process. Market activities find their political counterparts which is illustrated by the building and destroying of specific coalitions. A typical delay of privilege- and coalition-seeking is observed depending on the economic and political success. Regulatory measures are explored then "exploited", and allies are found, "utilized" and dropped, finally leaving certified rents of no value.

1. Introduction

"Many have been puzzled by the mysterious decline or collapse of great empires or civilizations and by the remarkable rise to wealth, power, or cultural achievement of previously peripheral or obscure peoples . . . The pattern was not greatly different in the Andes, or at Angkor Wat, or in still other places." With these words Olson (1982:1) introduces his *Rise and Decline and Nations* and outlines the problem. We would not go so far as to rank Lüneburg with the empires mentioned above, but it still was of regional importance and, remarkably enough, many of Olson's results can be found while investigating the history of this region.

While Olson's analysis focuses on societies, i.e., complex structures, the case of Lüneburg is much less complex. Olson looks at various industries, regions and the interests involved, but in Lüneburg we have a nearly monolithic structure of business – one town, one region and only one interest-group. All Lüneburg subjects were totally engaged in and dependent on the salt industry.

* I gratefully acknowledge comments of M. Paldam, L. McNeal, and an anonymous referee. The English style was improved by G. Walsh and R. Stedjee.

Further, there had been no diverging interests *within* the principality of Lüneburg.¹ There was a clear-cut distinction between heterogeneous, external interests, which were dominant, e.g., in Hamburg and Lübeck, and homogeneous internal interests, which will be considered here. Additionally, Lüneburg exploited a natural resource for which it held a local monopoly.

Although most of the ingredients of the Olson analysis are absent or very weak, the rise and decline is observable in an exemplary way. Witthöft (1976:7) as one of the excellent authors working on the saltern has put it: “Screening the German economic and social history, there is no such example for the long lasting and undisturbed growth. The town accumulated all influences without any actual change, became encapsulated and declined” (translated by Karl-Heinz Waldow [KHW]). We find the Olson (1982:18,237) “paradox that . . . groups, at least if they are composed of rational individuals, will *not* act in their group interest . . .” confirmed in the long run, along with the fact of special interests being harmful to economic growth.

Olson concludes that some of the major preconditions of stagnation are local tolls, tariffs and other structure-conserving policies. In general, the implementation of these economic tools results from interest-groups arguing with public interests rather than private interests.

Interestingly, this corresponds with the findings of another branch of public choice. Rent-seeking behaviour is socially wasteful and hampers the optimal allocation of resources. As Tullock (1989) emphasized, the outcomes of rent-seeking and the long-time privileges of ancient societies, empires and principalities are equivalent. “Almost all the talent and energy of the [subjects] who wanted to rise in society tended to be directed at efforts to obtain the favor of the powers that be or to retain that favor if they already had it” (Tullock, 1989:94). Both, rents as well as privileges, are of a certain value for the owner and leave him better off than those who have not been successful in looking for benefits. Groups resources for artificial (private) rents yield short-run extra-profits for one group to the debit of another group or society. The privileges could be withdrawn by those who conferred the rights. Today, in a similar but more arduous way, economic rights may be annulled by the regulating agencies, boards, etc.

The term “rent-seeking” comprises more than the struggle for more or less well-defined monopoly rights within the debate of de-(re-)regulation. We may discover rent-destruction as well as rent-bypassing activities. In time, rents become more valuable or they depreciate. Coalition-partners were able to come and go making formerly irrelevant alternatives achievable.

But, if we talk about rents, the value of monopoly-rights, and even that of coalitions, we either should provide data about their values or we should present an indicator that allows us to derive their value indirectly. For historical case studies it is not only a matter of record, although this is a crucial point,

but of the specific assessment at that time, too. Taking these difficulties into account, we approach the problem in a threefold manner.

As salt was the major source of Lüneburg's wealth, the increasing and decreasing of the saltern's sales should indicate the importance of the privileges. In any case, data referring to the price-cost margins and the saltern's returns after taxes would be the best indicator. The lack of that kind of data is due to the peculiarities of the records.² However, screening the history of that region, a positive correlation between privileges, sales, and wealth can be observed. Considering monopoly areas this seems to be a good proxy. On the other hand, however, the correlation must not be so strong in the sense that *every* decree has an immediate effect. With regard to time-lags and possible superimposition by other changes, this indicator could be questionable. The Lüneburg policy of mortgaging the sovereign's estates ("*Pfandschlosspolitik*") supplies a *second* indicator. The dukes mortgaged estates (castles etc.) in exchange for money and/or for privileges. If there was no direct relationship to a privilege, the value could often be derived from the transactions when the dukes redeemed their property. This policy lasted from 1351 to the end of the seventeenth century. The value of coalitions can also only be derived from secondary data such as payments for military assistance, credits or indirectly from trade data. Unfortunately, the record is incomplete and since each indicator does not cover the whole period we have to combine them.

In the following, we sketch the starting point of the history of the Lüneburg saltern and identify the circumstances and the actors in its origin. With this background, we show its economic upswing and the related political changes. In this phase, the two major activities of the town – rent-seeking and coalition-seeking – occur for the first time. Later on, the ratio between these activities alters in an interesting manner, finally ending in the insignificance of the saltern.

2. Scene and setting

At first glance, it is astonishing that the county of Lüneburg was so important for at least several centuries. It is not located on an extraordinary river, had no shipbuilding industry and no direct access to the open sea. Moreover, it is not a central region through which all trade had to pass, either. It was only a very small residence for its Dukes, had no armed forces and was of little interest to the dukes, Kings, etc. living in the surrounding area. Economically speaking, about 1000 A.D. it was a peripheral region of only local importance.

Additionally, there were other important and faster developing centres at a short distance competing to become trading-centres. There was Hamburg, a rising town for the maritime trade only 80 kilometers away, and the wealthy

Hanse-town Lübeck which dominated all the trade of the Baltic Sea, Scandinavia and Russia. South of Lüneburg was Brunswick, the capital and residence of the dukes, attracting science and politics as well as trade, and Hannover, another residential town, lay at a junction of transit routes. West of Lüneburg was Bremen, another shipping port, and east of the town was nothing worth mentioning. The Brandenburg or Mecklenburg areas were of little economic potential.

Prima facie, the geographic situation did not support any economic upswing or even political power. But there are three reasons why Lüneburg grew important.

1. In former days, the river Elbe was a complete tidal river and ships had to sail carefully to avoid running aground on the shoals. Navigation was dangerous as well as time-consuming and therefore the trade by land was advantageous to some extent. So there remained some trade from Hamburg and Lübeck to the south and south-east area of Magdeburg and Saxony which passed through the county of Lüneburg.
2. The regional power structure as described above left some kind of a power-vacuum, which must have been large enough to enable the saltern and the town, respectively, to build up their leading position undisturbed.
3. The third but most important point is the natural resource of the salt-well.³

In earlier times the Dukes of Brunswick had many budgetary problems and together with their reign both resulted in economic decline and loss of regional power. They were happy not to have to care for other areas such as Lüneburg and left the town to its own resources. The German Emperor as a powerful superior authority existed on paper only (“Interregnum”) and the well-known particularism of the German Reich dominated. Of course, the towns and principalities around had been very sensitive to encroachments, so that we must regard Lüneburg as a self-centred county embedded in the centre of other areas and towns that were more important.

Due to the lack of a strong political power and policy coordination among the states, principalities and towns, a substitute had emerged: the Hanseatic League. Despite some diverging interests of their members, the towns represented by their merchants had a vivid interest in installing rules and conditions for dependencies in other towns in order to assure trade properly. This economy-based structure was very important for the towns, because, although formally independent, they had to defend their positions several times against hostile sovereigns. However, this does not mean, that the Hanseatic League was a peaceful organization interested in economic affairs only. Moreover, its financial standing, overall as well as of each of their members, made it possible to use the political and military potential of the Hanseatic League in order to enforce beneficial treaties.

As already mentioned above, as a third aspect, the economic situation was different. The salt-spring at Lüneburg was of extraordinary quality (27–28 percent salt) and at that time this resource was a necessary ingredient to conserve fish, meat and other food. The production-function of the saltern had some peculiarities because of it being a well. Apart from groundwater-level fluctuations, there was a steady influx of saltwater into the basin that never exceeded a certain quantity per month. The production-function is, therefore, limiting with respect to the input-resource. Notwithstanding that upper-bound, the variable factors, for example wood for evaporating, could be substituted to a large extent by capital, inventions, and organizational measures. In addition to the overwhelming demand, the production costs were incredibly low, so that the profits obtained by the production of salt became immense.⁴ The term “white gold” indicated the overall importance of the salt. Accordingly, it is hard to understand why the Dukes of Brunswick, the formal sovereigns, did not claim the saltern at an early stage. Later they tried to capture the salt-production again and failed.

3. The participants

Looking at nearly 900 years of coalition building and regional rent-seeking, it is hardly astonishing that the casting of the game changed during this time. The leading character, however, is played by the Town of Lüneburg throughout every act. Below we are going to use the terms of Town of Lüneburg, the saltern or the Council of Lüneburg as synonyms. Although they are formally independent and different agents, de facto, their interests and their behaviour are congruent. Thus we have:

- | | | |
|-------------|------|-----------------------------------------------|
| | | – Dukes of Brunswick |
| | | – Dukes of Saxony |
| | with | – Town of Magdeburg |
| The Town of | or | – members of the Hanseatic League, especially |
| Lüneburg | vs. | Hamburg and Lübeck |
| | | – German Emperor (later) |
| | | – King of England and Hannover (later) |
| | | – foreign (French) salt producers |
| | | – domestic saltern (later) |
| | | – Elector of Brandenburg. |

Although coalitions, temporary alliances, and other multilateral contracts were feasible, bilateral relationships were predominant. Interestingly enough, each agent was of some value for the town of Lüneburg even though he may

have been far away. Thus, we not only have a two-person-game of non-cooperative behaviour between the sovereign and the saltern, but we will have rent-seeking coalitions playing cooperative and non-cooperative games as well.

Hannover's membership in a coalition with Lüneburg is such a case in point. According to cooperative game theory, the value of coalitions depends on their members as well as on the present time. If we look at the early period of 900–1300, Hannover did not contribute to or extract anything from a coalition with Lüneburg. Later this irrelevant alternative became relevant. At the beginning of the eighteenth century, Hannover had acquired the power to enlarge and *protect* monopoly areas. This resulted in an increase of the saltern's sales of 6.3 percent in 1717 and 10 percent (1748), respectively.[10,12]⁵ The membership of Hannover within that coalition increased the total value of the salt privileges until 1845. Later on, the effect was just the opposite. The saltern would have been glad to bow Hannover out of the coalition because its contribution became negative. In fact, Hannover supported free trade and cancelled some monopoly rights. As a consequence of the exploiting character of the Lüneburg policy, there were no other players who would have accepted a coalition together with Lüneburg again.

4. The rise (900–1400 A.D.)

The earliest documents mentioning the saltern of Lüneburg date from about 900 A.D. The Duke of Brunswick as the principal owned all of the ground, rivers, resources and other human capital too.⁶ Therefore the Dukes had run the saltern by themselves and the *small* profit was passed over to the local monastery. At that time the saltern was purely state-governed and operated regardless of the market. Despite the growing demand for the “white gold”, the government did not recognize the importance of salt-production either and run the saltern at a low and very inefficient level. With the wisdom of hindsight, the Dukes' behaviour had been myopic. There was no threat of going bankrupt and they failed to see the future profitability of the salt. Consequently, they neither accumulated capital for inventions, nor did they develop any marketing strategy.

Plagued by permanent budgetary deficits, caused by the court, the sovereign was interested in short-run profit maximization, exploiting the production facilities and, finally, selling shares of the saltern of his knights. This did not mean that the saltern had been privatized. The knights, each paid with a small share of the saltern, were not interested in economic activities either and they resold their shares to private individuals. Nevertheless, the Duke still owned the “*Bare*”⁷ and thus had influence on the profits of the saltern.⁸ In 1269 this source of finance was sold to the inhabitants of the town of Lüneburg.

Selling the *Bare* and the privileges of the saltern was very profitable for the sovereigns, so they looked for other privileges which could be sold. The Duke was aware of the fact that the value of the right to run the saltern heavily depended on it being a monopoly. All competition lowered the value of the privilege. Since the privilege had been granted to the town, i.e., the area *inside* the city-wall, it left the general right (“*Salzregal*”) *outside* the city-wall unaffected. In 1270 the sovereign explored a new salt-spring and was about to exploit it. It is not clear whether he really intended to run the new saltern, but it is very likely that the threat of the new saltern was used to lower the value of the old privilege. An additional *artificial* rent had been created only for the purpose of being sold. The Duke’s expectations came true when the owners of the old limited privilege bought the new well in 1273 and blocked it up. This well and the Duke’s relinquishment of his rights were bought for 800 Mark by the tenants of the saltern (“*Sülfemeister*”) (Bleek, 1985:12). Agreeing with Tullock (1989:3), this seems to be a “surprisingly small” sum.

In 1350 the last knights’ share was resold to private owners. About that time the Duke had fully withdrawn from salt production and salt distribution. All monopoly rights connected with the salt spring were signed away. Now only the private owners had the privilege to operate this saltern. At the same time the separation between the political sector of the town and the economic sector represented by the merchants vanished. The right to be elected to the town council was *only* assigned to the tenants of the boiling-pans (“*Sülfemeister*”). They became a separate class: the patrician families.⁹ This meant an identity of the tenants (the real masters) of the saltern and the politics of the town. As Reinecke (1933:79) puts it in his seminal work about the history of Lüneburg: “it is no accident that among the oldest documents listing the representatives of the town council there were “*Sodmeister*” and “*Pan-owners*”,¹⁰ and later Reinecke (1933:81) asks whether “the town council – all the time having close ties with the saltern – was to be rooted in the early days of the saltern.” Obviously, Olson’s small group had come into being.

There was neither a political counterweight nor any competitive interest-group who could separate the public-interest from the private-interests. No system of checks-and-balances existed and a balance of interests in the pluralist sense was not observable. During the following centuries the town of Lüneburg never insisted on rules and decrees which were contradictory to the interests of the saltern. The organization of the groups was totally and entirely *asymmetric* which supports Olson’s (1982:37) “first implication” of lowering societies’ decision-making costs. The *privatization* was accompanied by an extraordinary upswing of trade and Lüneburg became wealthier. Bachmann (1983:43) observes an increase in the average price per unit salt of about 150 percent within 90 years (1280–1370), which is considerable compared with other developments in the Middle-Ages. The town became a member of the Hanseatic

League in order to simplify the intense salt-trade.¹¹ The beginning of the mortgage policy in 1351 gives additional evidence. The town first took over the palace of Bleckede in order to improve military assistance to their trade-routes. The mortgage debt was 3300 Mark which was more than the town's regular expenditures of about 2000–3000 Mark p.a. (Behr, 1964; Ranft, 1987).

Simultaneously the *political* importance of the town increased. It reached its zenith about the same time as the Hanseatic League successfully ended the war with Denmark in 1370. Following Zenker (1906), this coincides with a maximum of economic potential deduced from the principal-value of the pan equipment which was about 17,625 million Mark.¹²

Attracted by the wealth of Lüneburg, there had been growing differences with the sovereign who repealed all privileges and burdened the town with 6,000 Mark in 1370. Allied with Hamburg and Lübeck, Lüneburg expelled the troops of the Duke from the castle inside the city-wall. The expected importance of the privileges and the value of the trilateral coalition can be estimated at 30,500 Mark, which was the price of their assistance (Behr, 1964:48). As long as the Dukes of Brunswick had been valuable for the saltern, i.e., they could provide privileges, Lüneburg maintained a good relationship with its sovereign. But after 1370 the coalition with Brunswick was apparently exhausted and the town sought partners who could contribute to a new coalition: The Dukes of Saxony in 1371. The reason for this was the interest of Saxony in secure trade routes from and to Hamburg running through the county of Lüneburg. Leaving other political peculiarities aside (the struggle with Brunswick), this new coalition member renewed the privileges and guaranteed military support by the Saxons.

Although Lüneburg had successfully finished the battle with its sovereign, the war between different duchies ("*Erbfolgekrieg*") continued. The costs of the military struggles exceeded the financial standing of the town by far. The major creditors were Hamburg and the wealthy town of Lübeck, which transacted nearly all of the Scandinavian salt-trade, credited over 170,000 Mark (1389). Although the interest rate of 10 percent¹³ (Heineken, 1908:64) was remarkably high, the answer of the saltern/town to this debt (about 100,000 Mark) is typical: they neither improved their budgetary policy nor did they react with "market" tools to strengthen their marketing and to improve production. Instead, the saltern put the main emphasis on the political action in order to get substitutes for market benefits. This was primarily done by "goodwill" payments to the Earls of Holstein and Sachsen-Lauenburg (6,000 Mark) and mortgaging (5,700 Mark) in exchange for custom-offices.¹⁴ The purpose of almost all of these activities was either to simplify the salt-trade by controlling the custom-stations, giving the salt a tax-exempt status, or improving the security of salt-transports.¹⁵ Lübeck heavily supported this policy and they became quasi-symbiotic partners for at least the next 200 years.

The interests of Lübeck, however, were slightly different. As the leading town of the Hanseatic League and as the second largest town (ca. 15,000 inhabitants) in northern Germany¹⁶ after Cologne, the merchants were more interested in trade as such than in a special protectionist policy. Thus, while importing Swedish herring, they needed freight, i.e., salt, for export to avoid excessive dead-weight losses when their ships left Lübeck's port. In 1368 the value of Lüneburg salt exported from Lübeck exceeded 61,000 Mark, which represented nearly twice as much as the next most exported product (cloth). In terms of the value of all shipped goods it ranked third (Dollinger, 1989:578). In 1388 a new attestation of privileges for the saltern was worth 23,000 Mark. The major part of this sum was paid by disclaiming some mortgage debts.

The war ended provisionally when the decree of 1392 ("Sate", i.e., statute) was promulgated. With this decree, all trade bypassing Lüneburg was made punishable.¹⁷ Furthermore, the town got channel-rights and shipping-rights to deepen the county's waterways. It can be taken for granted that the claimed sum of 62,780 Mark does not represent the whole value of that bypassing rule, but, put down in writing, explicitly indicates the importance for the town. Consequently, as a short-term effect, the debt of the town decreased rapidly.¹⁸

All of these new decrees, rights, etc. served to secure the monopoly rents of salt-production and -distribution. More exactly, all interest focused on the *Lüneburg* salt, i.e., the domestic salt. But if its merchants were interested in controlling the trade and in maximizing their profits, then they must have been able or interested in skimming off the consumers' and producers' surplus obtained by foreign salt, too. Instead, all trade with foreign, in particular French "Baie"-salt was strictly prohibited. There we have not only partial preferential treatment but also an active obstruction of the competition. The saltern had asked for further privileges because of new sales problems. On the basis of the relatively low prices of the Baie-salt,¹⁹ the imported quantities of foreign salt into Lüneburg's accustomed region of the Baltic Sea rose. Agats (1904:53) calculated an increase of about 100 percent between 1378 and 1384. The situation became even worse when English ships were allowed to touch at every port in Prussia. At this time the Dukes of Brunswick made a last attempt to regain control of the town but were defeated by the troops of the coalition of the Hanseatic League in 1396. Behr's (1964:41) apt remark describes the status quo: "a community of interests consisting of the town and its sovereign turned out to be not feasible (KHW)".

Despite Lüneburg's debts at the end of the war, the town and saltern, respectively, were the real winners. The town had

- accumulated almost all the rights and privileges;
- gained overall influence on local jurisdiction by its mortgage policy; and
- controlled indirectly the budget of the court.

Thus, not only the system of tariffs and tributes could be harmonized, but the system was also designed to be to the disadvantage of foreign salt. The jurisdiction encompassed a closed territory south of the river Elbe with uniform rules and few customs-barriers. Additionally, the close relationship with Lübeck and the membership of the Hanseatic League simplified trade, *and*, presumably more importantly, potential competing groups (i.e., dukes, etc.) were kept outside the game. As Lüneburg belonged to the so-called “Wendish”-group (5–7 members) of the League that dominated the Hanseatic policy, the saltern had direct access to decision-making processes.²⁰ The League and the town of Lüneburg as a subunit can be easily interpreted as Olson’s (1982:53) “encompassing organizations”.

Why did the Dukes of Brunswick proceed in this way? Why did they not levy taxes on the inhabitants of their duchy or impose tolls? From public choice theory we know that all individuals behave as utility maximizers. The same is true of the members of government and administration. They are interested in private utility and they derive the benefits from their posts that are guaranteed and protected by reelection. They favour specific groups which are able to mobilize a great number of votes *for* the government in office. The costs are spread out over the community as a whole. It is also true that these “. . . outcomes of government activity are efficient ways of benefiting the special interest groups” (Tullock, 1989:22). The sovereigns of this case study did nothing else. The Dukes of Brunswick wanted to consolidate and protect their reign through financial support. There was a lack of administrative tools and officers to collect taxes and tolls properly. Coercion would have been costly and therefore not suitable. On the other hand, the sovereign owned the duchy *ex officio* and had the national jurisdiction. Decrees and “*Edikte*” could be costlessly issued. From the dukes’ point of view, regulation was “cheap”. The benefits were concentrated on those who were able to subsidize the sovereign, and the privilege-seeking costs were borne by the consumers altogether and especially foreign countries.” As a normal rule, the number of people who gain is much smaller than the number who lose” (Tullock, 1989:20). Therefore, regulation was an appropriate and for both, the saltern and the duchies, an efficient measure.

As a provisional result, we can see that rents or privileges were sought through new coalitions (Saxons, Hanseatic League), if the original rent-providing institution became less important (Brunswick) or if the economic sector faced stiffening competition. The legal and political situation of this region was consolidated.

It is amazing to what extent Olson (1982:121) is confirmed while stating:

“. . . a much wider area of relatively free trade was established, a similar wide area of relatively free movement of factors of production was created, and in the power to make at least some important decisions about economic

policy was shifted to a new institution in a new location [i.e., Lüneburg]. There was in each case a considerable measure of what I shall call here *jurisdictional integration*.”

Admittedly, Lüneburg played the rent- or privilege-seeking game like a virtuoso. Its policy was very successful and both the Lüneburg county as a whole and the private-interest-seekers benefited.

5. Transition and decline (1400–1867)

Around the turn of the century (1400), it became clear that political considerations were still important but that economic questions could not be neglected. Hamburg and Lübeck had supported the saltern against Brunswick but had been interested in trading not only with Lüneburg salt but also with the French Baie-salt. This was an exclusively economic problem and the interests of the former allies became partial contrary to those of Lüneburg which pleaded again for protectionism. During the course of the “*Pfandschloß*”-policy, the beginning of the alienation became obvious. From 1405 to 1417, Lüneburg took over mortgage shares of more than 38,000 Mark from Lübeck and Hamburg (Behr, 1964:48,49) in order to gain sole control over the salt-trade. In terms of coalition values, we can conclude that their contributions deteriorated. Additionally, as the war of the Hanseatic League against the Danish was lost, it saved the Dutch merchants (who supported the Danish King) the opportunity to participate in the Baltic-Sea trade (1427). At first glance, this seemed only a “market” problem of growing competition which should have been possible to be settled successfully. The saltern, however, did not respond with competitive efforts. It took a turn for the worse when it became clear that the “political” instrument of closing the Danish straits (*Sund*) to foreign salt had no chance to be pushed through after 1450. In Table 1 the consequences are illustrated by the number of ships that touched at Reval being loaded with Baie-salt.

In the early fifteenth century Hannover joined the alliance-bloc with Lüneburg. During the following years, the saltern primarily sought privileges from foreign powers. Throughout the first eight decades of the fifteenth century, the Duke of Mecklenburg (3000 Mark), the Duke of Brandenburg (3000 + 200 p.a.), the Bishop of Havelberg, Saxony-Lauenburg, and the Emperor gave or renewed privileges concerning the “white gold”. Following Behr (1964:142), the “politics of exchange” (privileges for money) raised the town’s debt to 550–600,000 Mark. Such developments lead one to assume that the costs of supporting several sovereigns exceeded the privileges’ value. Disrespecting the will of the pan-owners (nobility, clergy) and in order to avoid

Table 1. Baie-salt loaded ships in Reval (1427–1496)

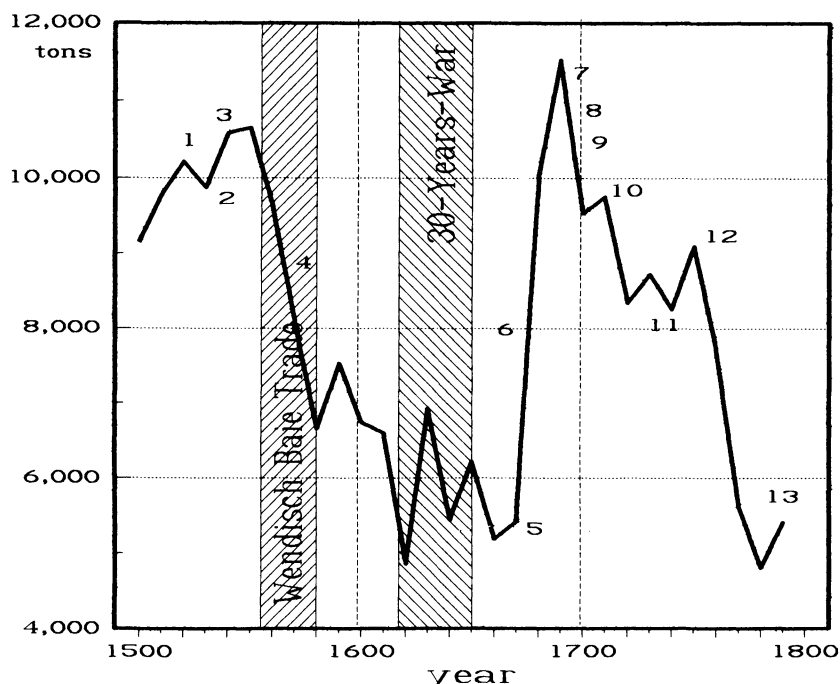
| Years | Number of ships |
|-----------|-----------------|
| 1427–1431 | 86 |
| 32–36 | 138 |
| 37–41 | 56 |
| 42–46 | 142 |
| 47–51 | 90 |
| 52–56 | 135 |
| 57–79 | 169 |
| 80–84 | 163 |
| 85–89 | 45 |
| 90–96 | 32 |

Source: Dollinger (1989).

insolvency, the town claimed one-half of all of the saltern's revenues. The town council was finally successful in 1462.

As already mentioned, the coalition with Lübeck and Hamburg weakened (1476) and finally broke apart because of the tariffs and special rights which Lüneburg merchants claimed. The “*Stapelrechte*” of Hamburg and the different points of view concerning free-shipping on the river Elbe burdened the relationship.²¹ The controversies with the former allies resulted in their exerting pressure on Lüneburg to cancel the unilaterally imposed tariffs. About 1530, the “value” of these coalition-members became negative, mirrored by a 2500 tons loss of sales.[1]²² It was at that time when the peculiarities of the Lüneburg salt-trade first became obvious. The saltern had failed to organize and to control the trade by itself. All intermediate and wholesale trade had been controlled by non-Lüneburg merchants. Only when the decline of the saltern began, the “Salzkontor” instituted (too late) some marketing activities, e.g., setting up an office in St. Petersburg, Russia (Witthöft, 1976:7).

The saltern stood alone and busily sought other allies. Since the Duke of Brunswick would hardly support the town, the German Emperor had been the next possible source of support. Lüneburg used this new authority to cancel the Hamburg-Magdeburg Treaty (1532) and to hamper shipping on the river Elbe, at least with respect to foreign salt. Privilege-seeking dominated again. The resulting supply-gap of carefully calculated 4000 tons was closed by Lüneburg salt.[2,3] The question at issue whether Hamburg's “*Stapelrechte*” were binding for the southern estuary remained unresolved for several decades. The lawsuit referring to this subject was never brought to an end (1554). In the meantime, the Duke of Brunswick had consolidated his reign as well as his budget while the financial situation of the saltern aggravated.²³ The German Emperor's actual power, however, was weak and in 1556 Lüneburg's sovereign



Source: Witthöft (1976), modified.

Figure 1. Total sales of Lüneburg salt 1500–1790 (10-years averages).

repealed all privileges successfully. The sales dropped by one quarter which is indicated by the number [4] in Figure 1.

It should be mentioned that the downswing of the salt-production industry induced neither firm-related consequences nor did the town alter its salt-policy. New technologies, organization or distributive innovations were not invented. Kahle (1987:16) analysed the production-technology and the organization scheme. He found that the internal structure as well as the external integration had been so reinforced that a flexible response to the challenge of the French salt was hardly possible. The developed "... system made economic progress difficult" (Tullock, 1989:92). Instead, the saltern stuck to old methods and tried to compensate for the losses on the economic side by political activities, labelled as rent-seeking. Additionally, the mortgage policy had become inefficient, i.e., too expensive, and was given up in the late sixteenth century. The substitution of political for economic efforts is a typical scheme for privilege-seeking societies. The sclerotic process continued because the saltern had been successful (temporarily at least) in gaining political support (see Körner, 1957:54).

About 1560 the situation was totally different from that of previous decades.

Table 2. Trade with French Baie-salt of the “Wendisch” towns, except Lüneburg

| Year | Number of ships |
|------|-----------------|
| 1557 | 113 |
| 1560 | 97 |
| 1562 | 61 |
| 1563 | 27 |
| 1578 | 7 |
| 1579 | 22 |
| 1580 | 16 |

Source: Dollinger (1989).

Lüneburg made a new arrangement with the sovereign and the town accepted almost all of the conditions of the Duke of Brunswick. The reasons for this quite astonishing reorientation were threefold.

First, the growing competition with the imported salt led to a severe economic crisis.²⁴ The Hanseatic merchants were given privileges by the French King in 1533 and 1552, and Brandenburg, a bulk purchaser, conferred Baie-salt privileges on its residents (1560). Furthermore, the Hanseatic towns of the “Wendish”-group ignored the interest of their ally and increased the shipping of foreign salt, as shown in Table 2.²⁵ As a result, Lüneburg lost former monopoly areas, especially the Baltic region, the domestic monopoly prices reduced the sales and the production costs became relatively too high. The latter was due to the ancient organization and technology of the saltern.

Second, nearly all of the other former coalition partners now preferred a slightly moderate form of protectionism, or like Hamburg advocated nearly free trade. The intermezzo of the Thirty-Years-War (1618–1648) gave further evidence of Lüneburg as an isolated and less powerful town. Due to the aftermath of war, the sales policy was more erratic than strategic (see Figure 1).

Third, the Dukes, on the other hand, aimed to secure sufficient revenues²⁶ from the Lüneburg county which could best be done by confirming the monopoly rents and declaring new monopoly areas such as Hoya or Bremen (1669) [5,6]. As a typical short-run effect, the sales rose sharply. Both measures quadruplicated the sales within 20 years. This coincided with the saltern’s interests, since the town had directed its attention to the local markets as a substitute for Baltic-Sea marketing areas.

Despite this new coalition with the Dukes of Brunswick since 1669 and new decrees in favour of protectionism which were intended to slow down the decline, the economic crisis of the saltern got worse. In 1690 Brandenburg rejected the monopolistic offer of a new salt-contract and in 1714 Prussia, another bulk purchaser, followed suit. In both cases, the prices had been too

high and the contracts would have been 2000–3000 tons p.a., approximately [7,8,9].²⁷

Nevertheless, the saltern did not learn from the experience of the past. Instead, they sought new “unused” coalitions. The Dukes of Brunswick were neither able to protect the special privileges of the town of Lüneburg any longer, nor were they powerful enough to convince other duchies to support the saltern’s sales politically. Brunswick’s value decreased. Thus, in 1716, Hannover, unified with the English Throne, took Brunswick’s place and confirmed all artificial rents again. The effect of an increase of 600 tons was remarkably low [10]. The so-called “*Edikte*” (i.e., rights) were numerous during 1701–1789, but the sales stagnated at about 8000–9000 tons. Again the decline could only be slowed down by enlarging the monopoly area to include Bremen county (1748) which yielded an additional market of 900 tons [12]. In spite of this, the saltern went finally bankrupt in 1794. This is an excellent example of Olson’s hypothesis that solidified structures which are determined by special interests cannot cope with economic challenges.

Now the responsibility was withdrawn from the town and the apologists inside the town-bureaucracy. Politics was separated from the economic sphere [11] and the v. Bülow-Plan for reconstruction was imposed by the Dukes [13]. After that reorganization the saltern lost its formal independence and the influence of the council of Lüneburg was limited to only one seat on the supervising board. The saltern consolidated and during the first thirty years of the nineteenth century the saltern maintained the status quo of 5000 tons which is about 40 percent of its former capacity.²⁸

Lüneburg had no ally among the former partners of the coalitions, which is very easy to explain. The saltern only joined the coalitions to “utilize” them as a whole and “exploit” single members. As long as the economic potential was large enough to compensate for the political drawbacks, this strategy was successful. Mutual cooperation, however, did not occur and they did not “produce” to go ahead (Tullock, 1989:94). Modifying Tullock (1989:93,94), it can be stated that the town-council was interested in improving the well-being of the citizens, but with the idea of doing it by developing interstate connections with dukedoms of power.

As the last support, Hannover stabilized the situation again. But by about 1840 not only foreign salt threatened the position of the Lüneburg saltern but so did domestic producers, too. The saltern won in a juridical controversy with the saltern Linden (Hannover) for the last time in 1840, but 9 years later the monopoly-privileges in Bremen and East-Frisia were cancelled. This was due to the different economic policy now advocating free trade. These different points of view are mirrored even within the town of Lüneburg: its Chamber of Commerce pleaded for a nullification of the privileges even before the saltern finally relinquished all privileges in 1867.

6. Conclusions

Case studies in general and historical case studies in particular raise additional methodological problems. There are the questions of whether the data is adequate and sufficient in number and how those data should be interpreted. In this study, however, the process-related events were quite numerous and recurred at different phases of history so that the data basis is sufficient.

Many of the results theoretically derived and concerning rent-seeking behaviour are confirmed. Tullock's idea of a complete substitution of ancient privileges and modern artificial rents can be found during more than 800 years of history. The members of the saltern accumulated privileges – the *Edikte* were numerous – but in the long run worthless. In a similar way, Olson's statements about the reasons for sclerotic tendencies and the rise and decline of economies find their counterparts in reality. No pluralism could be observed, the institutional structures were preserved and became inflexible. But some other aspects are astonishing and worth mentioning. From this study it is not clear what time-horizon the actors of the saltern had. They must have been very myopic and, additionally, unwilling to learn from the past. They behaved like model-type actors with no historical (i.e., no memory) time. The reason for this is not clear enough to draw distinct conclusions, but the large feasible set of new coalitions which could be extracted seems to be a good proxy. This offers the field of coalition-forming and collusion which is usually excluded from rent-seeking analysis. Nevertheless, it plays a crucial role in the history of this regional power. The coalitions are searched and joined in the case of economic drawbacks with a typical delay. But, and this is another interesting fact, the saltern played no active role in the coalitions. Lüneburg was rather an extractor than a contributor. After having “utilized” the members of a coalition they were “dropped”. In the short run these strategies were successful; in fact, the overall decline could not be prevented by this type of strategy. Although hypothetical, a readjustment of the economic policy and an economic-oriented reorganization of the saltern might have been a better way of coping with the growing competition and the altered economic conditions.

Notes

1. They were not observable or less important, at least.
2. There is an unfinished debate among historians concerning the prices in what currency of the different grades. The saltern's costs as well as the town's budget were distributed among several side-budgets. Their notations are neither consistent nor compatible (Witthöft, 1962).
3. The salterns of Halle (Saxony), Kolobrzeg (Poland), Frisia, and other domestic salt-producers were of minor importance. For the detail of their sales territories, please, see the Appendix.
4. Witthöft (1976), for instance, shows that the profits were higher than those earned by the silver

- mines of the Harz. Körner (1957:52) mentions a gross profit of 83,000 Mark (1350), which is large compared with 18,750 Mark (1500) of the silver mines at their prosperity.
5. The bold-faced numbers in brackets refer to the time-table as well as to Figure 2.
 6. For the following scenario the reader is referred to the survey of the time-table.
 7. The “*Bare*” was the only house where the boiling pans of lead could be melted and cast into new pans. The *Bare* represented a monopoly.
 8. For 1300 the tax revenues are estimated at 8000 Mark p.a., enough to “buy” the whole county of Parchim with several thousands of inhabitants.
 9. The owners of the pans (“*Prälaten*”) were members of the nobility or clergy. They regained some influence over the town-council after the “*Prälatenkrieg*” (1445–1462) (Hennings, 1987).
 10. *Sulfmeister* and *Sodmeister* are equivalent and mean the chairman of all the pan-owners. Pan-owners are privileged people who were given the right to boil salt. The number of the pan-owners was strictly limited, but varied throughout the decades.
 11. For the largest distribution of the salt of Lüneburg, please, see Appendix.
 12. This was equivalent to more than 150,000 tons of rye (Zenker, 1906:45).
 13. To illustrate this, Franke (1935:59) lists the credits of Lübeck during the years 1365–1390, showing that the average new annual debt of Lüneburg was about 3000 Mark.
 14. Cf. Behr (1964:22ff). Considering the fragmentary nature of the records, this sum is at best interpreted as a lower boundary.
 15. This included letters of consignment and escort.
 16. Lüneburg counted 10000–12000, and Hamburg 8000–10000 inhabitants. These figures, however, were subject to large fluctuations.
 17. Interestingly enough, money was spent to build embankments and trenches in order to make bypasses impossible or at least too time-consuming.
 18. Subject of the *Sate* was the persistent deficit of the Dukes. Lüneburg credited about 50.000 Mark in *exchange* for more privileges (Friedland, 1953:20).
 19. A strict comparison is difficult because one could hardly speak of a homogeneous good. There were 6 grades at least, as well as summer and winter types. Furthermore, Lüneburg salt was more productive than the foreign salt.
 20. Towns that are located within a radius of 100 kilometres from Lüneburg.
 21. The *Stapelrecht* meant that every good and every transport had to stop at the *Stapelplatz*, e.g., Hamburg. No bypassing was allowed in order to support the domestic industry and to impose tariffs.
 22. Please, see Figure 1 as well as the time-table.
 23. Lübeck had withdrawn its financial support because of the growing discrepancies in the economic trade policy.
 24. Bang (1906:210) estimates that the trade with foreign Baie-salt in the Baltic Sea was 5 to 6 times as much as the volume of the total capacity of the Lüneburg saltern.
 25. Withhöft (1990:51) points out that the quantity of Baie-salt exported to the Baltic regions was 4–5 times as much as Lüneburg’s salt exports.
 26. E.g., 1707 more than 73 percent (18 Mark) from the price per unit salt (*Chor*) was due to taxes and other rates (Bleek, 1985:12).
 27. Some prices were very frequently readjusted yielding a margin of 6–30 Mark per unit.
 28. For the shrinking of the sales areas, please, see Appendix.

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Appendix

Time-table

| Year | Event(s) | Year:Sales (tons) | Ref. no. |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|
| 900 | The ground and the saltern are owned by the Duke Henry the Lion of Brunswick. | | |
| 956 | Tribute to the local monastery. The saltern is owned and operated by the sovereign. | | |
| 1200–1250 | The shares of the saltern are sold piecewise to knights because of financial deficits of the Dukes. | 1205: 5200 1244: 8500 | |
| 1269 | The Duke sells the “Bare” to the private (Lüneburg) owners of the saltern. The sovereign has now fully withdrawn from salt-production and -distribution. | | |

Appendix. Continued

Time-table

| Year | Event(s) | Year:Sales (tons) | Ref. no. |
|--------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------|
| 1270 | The Duke explores and exploits a new salt-spring outside the town of Lüneburg. | | |
| 1273 | After bargaining between the town and the Duke, this new salt-spring is sold to the owners of the old spring. The Duke gave the town the privilege of the exclusive right of extracting and trading salt. The Duke confirms that he himself obeys this privilege. | 1273: 12000 | |
| 1348 | The Duke sells the monopoly right of the rivers to the town (" <i>Ilmenauprivileg</i> "). | | |
| 1350 | The right to be elected to the town council is assigned to the " <i>Sülfrmeister</i> " only. The knights have resold the shares, the saltern is fully privatized. | 1350: 13500 | |
| 1365 | The Duke confirms the privilege and assures protection of the trade routes. | | |
| 1367 | Controversy with the sovereign who is repealing all privileges. | | |
| 1371 | The troops of the Duke are expelled from the castle of Lüneburg. Lüneburg turns away from the Dukes of Welfen and seeks the support of the Dukes of Saxony. | | |
| 1377 | The Saxons renew the monopolies. | | |
| 1383 | The rights are extended and now comprise salt-extraction, production, and exploration. | 1388: 15100 | |
| 1392 | Decree of "forcing to use the routes" through Lüneburg. | | |
| 1400 | The decrees of " <i>Eddagsartikel</i> " provide that salt which is not produced at Lüneburg is prohibited from transit trade through Lüneburg. | | |
| 1400 | Military conflicts of the Hanseatic League against the Dukes of Brunswick, victory by the League. | | |
| 1400 | Growing competition with the french Baie-salt. Controversies with the town of Hamburg about the " <i>Stapelrechte</i> ". | | |
| 1407 | Hamburg forbids the trade seawards of foreign salt. | | |
| 1417 | Lüneburg hampers and forbids the development and building of new routes. | | |
| 1442 | The right of free salt-trade of Lüneburg in all accustomed regions is confirmed another time. | | |
| ≈ 1445 | Lüneburg seeks the support from the German Emperor and strives for titles from the Emperor. | | |
| 1450 | Hamburg claims the " <i>Stapelrechte</i> " on the estuary of the Elbe. Lüneburg has to pay tolls at Hamburg. | | |
| 1470 | " <i>Stapelrechte</i> " of Hamburg not on the southern part of the estuary. | | |
| 1471 | Tariff on shipping on the river Ilmenau. | | |
| 1476 | Hanse-towns Lübeck and Hamburg successfully exert pressure on Lüneburg in order to withdraw the tariff. | 1497: 17300 | |

Appendix. Continued

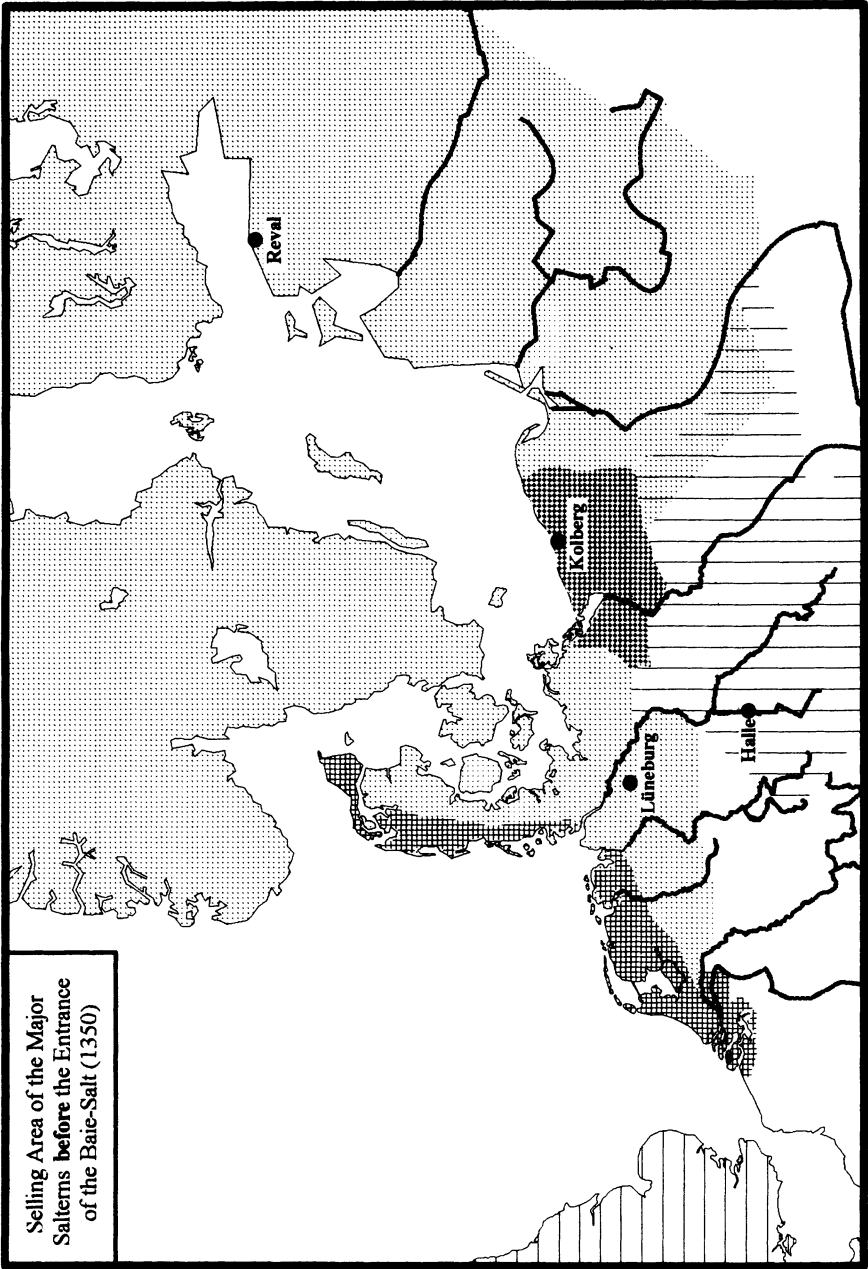
Time-table

| Year | Event(s) | Year:Sales (tons) | Ref. no. |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------|
| since 1530 | Hostile encroachments of Hamburg on the Southern Elbe. | 1530: 11800 1539: 9280 | 1 |
| 1532 | Hamburg-Magdeburg Elbe treaty. | | |
| 1534 | Duke blockades Lüneburg. | 1533: 10610 1534: 4620 | 2 |
| 1548 | German Emperor advocates free shipping on the Elbe. | 1548: 10000 | 3 |
| 1550 | Financial recovering of the sovereign of Lüneburg, growing differences with Lüneburg. | | |
| 1554 | Long-lasting lawsuit between Hamburg and Lüneburg. | 1554: 11400 | 4 |
| 1556 | Repealing of all privileges of the town Lüneburg | 1556: 10600 1561: 8700 | 4 |
| 1562 | Agreement between the parties, advantages for the sovereign. | 1562: 10200 | 4 |
| 1585 | Attempt for agreement between Hamburg and Lüneburg. | | 4 |
| 1588 | Controversies with Lübeck, Hamburg about tariffs | 1589: 6300 | 4 |
| 1618–1648 | Thirty-Years'-War | | |
| 1669 | Duke confirms a new monopoly region of Hoya for Lüneburg. Constitution of the saltern is laid down in accordance with the Duke. | 1669: 2700 1677: 9600 | 5 |
| 1687 | Import, trade, and consumption of foreign salt is prohibited again. | 1686: 9800 1690: 12000 | 6 |
| 1690 | No new salt contract with Brandenburg. | –1960 p.a. | 7 |
| 1700 | Decline of the saltern, because of 1. imports/smuggling 2. less efficient technology 3. price policy Sales crisis, due to high prices and outdated production technology. Council of the town Lüneburg sets monopoly prices. | 1699: 12400 1712: 11000 1716: 9200 | 8 |
| 1701–1789 | “ <i>Edikte</i> ” of protectionism. Several “ <i>Edikte</i> ” ensuring the position of the salt of Lüneburg are enacted. | | |
| 1714 | No new salt contract with Prussia. | –1800 p.a. | 9 |
| 1716 | Georg I of England (Hannover) confirms the privileges. | 1716: 9200 1717: 9800 | 10 |
| 1729 | New reglement of the saltern initiated by the Duke, restraining the influence of the Town Council. | 1729: 7900 | 11 |
| 1730 | Withdrawal of the supervision of the Council. | 1735: 9000 | 11 |
| 1748 | Enlargement of the monopoly area (Bremen). | + 900 p.a. | 12 |
| 1794 | Reorganization of the saltern by the sovereign. The town of Lüneburg is represented by only one member on the controlling board. | 1794: 5500 | 13 |
| 1799 | Reconstruction (v. Bülow-Plan) is successful. 1. only one member of the town council, 2. credits by the sovereign, 3. supervision by the sovereign. | 1795: 7100 | 13 |

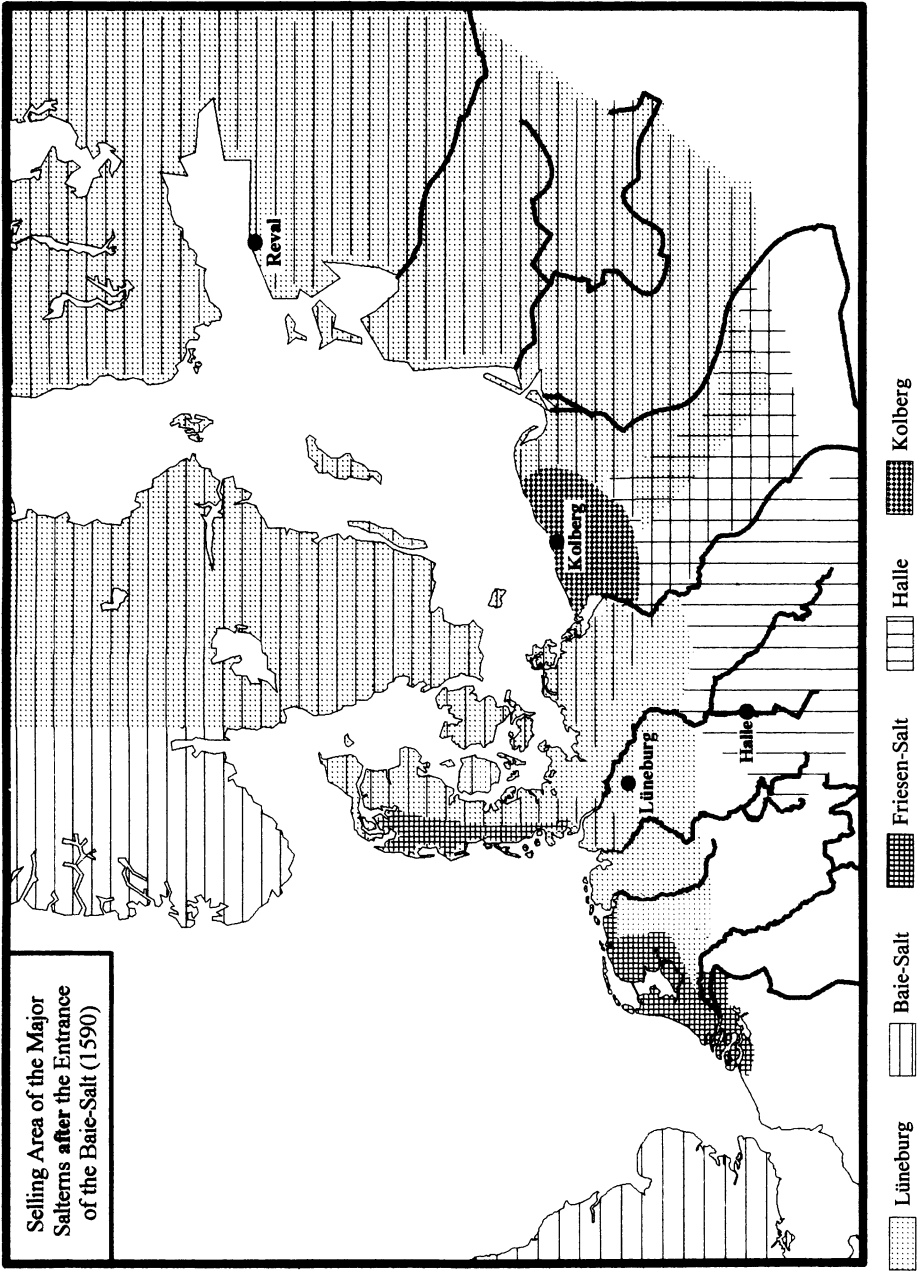
Appendix. Continued

Time-table

| Year | Event(s) | Year:Sales (tons) | Ref. no. |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------|
| 1800–1830 | Keeping the status quo. | 1800: 5000 | |
| 1830–1866 | Growing competition of domestic and privately owned salterns. | | |
| 1840 | Juridical controversy with the saltern Linden (Hannover). Lüneburg is supported by the government. Ruinous competition takes place. | | |
| 1849 | Privileges are cancelled in Bremen and East-Frisia, because the privileges are no titles (reasons of the government!). | | |
| 1850 | Markets are opened for free trade. | | |
| 1854 | Juridical finding against monopolies. | | |
| 1866 | The Chamber of Commerce of Lüneburg pleads for nullification of the salt privileges. | | |
| 1867 | Free trade with salt. | | |
| 1867 | The saltern relinquishes the privileges. | | |



Selling Area of the Major Salters before the Entrance of the Bate-Salt (1350)



Source: Heitz/Unger (1961).