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**In Search of a "Crude Fancy of Childhood":
Deconstructing Mercantilism ¹**

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Work in progress - Please do not quote

It is widely held that in the pre-Smithian period, a coherent corpus of ideas dominated Europe. This presumed school of thought has been coined 'mercantilism' and has been opposed by a set of liberal propositions during the eighteenth century. « Mercantilism » is often used in order to characterize two sets of propositions: a theoretical and a political one, both being frequently mixed, the former presumably fuelling the latter. We don't want to discuss the existence of a mercantile economy in the period ranging from 1500 to 1776: navigation acts, colbertism or Spanish bullionism are facts. We would rather like to discuss the idea according to which a coherent doctrine concerning money and wealth existed and was used as a justification for some practices. We are challenging the idea that « mercantilists » gave simplistic tools to policymakers, and that policymakers followed their advices. In short, as Judges already pointed some decades ago, the idea that mercantilism « had a creed » and « a priesthood dedicated to its service » (Judges, 1939, p.42) is highly doubtful.

If each period constructs its interpretations of previous theories, the notion of « Mercantilism » is deeply rooted in the history of economic thought. Already in the middle of the twentieth century, J. A. Schumpeter criticized « [...] that imaginary organon, 'the mercantilist system' of traditional teaching. » (Schumpeter, 1954, p.335). Even if some important writings, like Hutchison's, emphasized the fact that « pluralism ruled » (Hutchison, p.11), the consciousness of the divergences between authors and/or nations progressively disappeared from most of economic statements, and the common view on 'mercantilism' made it a kind of monolithic

¹ This paper is related to the preparation of a collective book, forthcoming in French, on the history of monetary ideas, which will embrace the period 1500-1776 and a wide range of countries of Europe, from the countries that are generally studied (France, England) to countries that are generally put aside such works (Sweden, Russia, Ottoman Empire...). We owe much to the contributors to the book, whose works on specific areas, authors or topics allowed us to work on the transversal viewpoint that appears in this text: respectively, Louis Baeck, Niall Bond, Jean Cartelier, José Luís Cardoso, Lucien Gillard, Gilles Jacoud, Claudia de Lozanne Jefferies, Antoin Murphy, Anders Ögren, Sevket Pamuk, Danila Raskov, Leif Runefelt, Joël Thomas Ravix, André Tiran and Carl Wennerlind. Their critics and remarks, as well as those from Cosimo Perrotta (Porto's ESHET Conference on "Popularisation of Economic ideas"), helped us greatly. We keep of course the entire responsibility on the ideas developed in this text. We would like to thank too the Institut Caisse des Dépôts et Consignations pour la Recherche for supporting the project.

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structure. Among defenders, Keynes, in the thirties, used this label without acknowledging those divergences.

Mark Blaug distinguishes two alternative paths in which historians of economic thought are committed. He opposes “historical reconstruction” to “rational reconstruction” (Blaug, 2001, pp.150-152): while the first one tries to explain the intellectual context in which discourses have emerged, the second one sees economics as a cumulative science, with its dead ends and “errors”. Thus, “historical reconstruction” tries to explain the textual’s depths, and “rational reconstruction” is close to what is commonly labelled as the “whig interpretation of history” (see also Kurz, 2006). Clearly,

the concept of “mercantilism” is a retrospective reconstruction: contrary to most of the Physiocrats or Marxists, nobody claimed to be a mercantilist. This reconstruction is not new and dates back from the end of the eighteenth century. In that case, *whiggism* can be assimilated to classicism: “mercantilists” appeared as the “villains of the piece”(to take Keynes’ expression about the interest rate). But we will see that another tradition of thought, the German Historical school, for different reasons, reconstructed also the mercantilist category.

A great number of authors wanted to clarify a number of « mysteries », in which money and wealth seemed to be the darkest ones (see Malynes, or, for a recent point of view, Pandolfi). In the seventeenth-century, «The pamphlets were efforts at persuasion, designed to appeal to policy makers, and their proliferation in manuscript and printed form is testimony to the increasing complexity of national economic affairs [...] the result was what Dietz has labelled the Era of Projects and Commissions» (Muchmore, 1969, p.348). As Schumpeter wrote, « [...] we are dealing with a formative period in which there were no professional standards » (Schumpeter, 1954, p.155). We will examine what could be called “mercantilist discourses” in the field of monetary ideas and challenge the idea that this literature emanated from “monetary cranks” (Blaug, see below). In order to meet this goal, we will propose transversal insights into different monetary discourses developed during the 16th and 17th centuries in Spanish, French, English, Italian, Portuguese, German, Swedish and Russian. Therefore, some leading topics of monetary ideas of the period will be stressed, sometimes very far from what is commonly known as “mercantilism”. Our *deconstruction* doesn’t lead to the proposal that there wasn’t a conceptualisation but, on the contrary, shows that monetary discourses were much more articulated and disputed than the legislation of the period (in short, bullionism) led to think. In this paper, we would like to deconstruct this broad category, but, as it doesn’t mean that no articulated arguments existed before the classical era, we propose other arrangements.

In the first part of this paper, we examine how the concept of « mercantilism » progressively emerged and was transformed, from the end of 18th century to the 20th century. In a second part, we identify different categories of writings in order to show the relative place of “mercantilist discourses” and that no predetermined dogma was unanimously shared, the period being crossed by a multiplicity of approaches to monetary problems. The idea of a consensus on a set of simple propositions is not a realistic one. The last part will investigate reasons that permitted the myth of mercantilism to arise: Classics and authors from the German Historical school followed two distinct paths. For authors following Smith, “mercantilists” had a major drawback in the sense that they didn’t developed a theory of value (“rational reconstruction”), while for German scholars, “mercantilism” was a political and economical necessity (“historical reconstruction”).

I. The popularisation of an « orthodoxy »: from the « mercantile system » to a new « -ism »

The actual textbook-reader is told that the majority of pre-classical writers between the sixteenth and the beginning of the eighteenth century were enlisted under the flag of mercantilism, defined by some assertions like:

- Mercantilists confused wealth with money
- Mercantilists defended the favourable balance of trade doctrine (synonymous with protectionism)

Historically, periods of denouncements or justifications of pre-classical writings developed, each one focusing on what was considered at the time and place as priorities.

Between reject and explanation

The idea of a system, widely defended during two centuries and then rejected, emerged with the Physiocrats, followed by classical economists.

After Quesnay and his « système des commerçants », Mirabeau fustigated in 1763 « l'inconsistance absurde du système mercantile »⁴. For the Physiocrats, state intervention interfered with natural laws. Then Adam Smith contributed largely to popularize the idea of a coherent and homogeneous set of doctrine⁵. In the *Wealth of nations*, the longest chapter is devoted to the denouncement of what he calls the “mercantile system”. The substrate on which this current is supposed to be built in the maxim: *money is wealth*. According to Smith, that was the result of a confusion: « That wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. » (Smith, 1776, T.I., p.429). As an example, Smith cited Locke, who could effectively be seen as maintaining such a confusion. Smith made practices such as bullionism (the prohibition of the export of currency) and the obsession of a surplus in the trade balance as logical consequences of this idea. But while criticizing mercantilism, Smith was impressed by Mun's *England's Treasure by Forraign Trade* (the structure of the two books is very similar), but rejected some of its theses. « Mun's work became the bible of later mercantilists - Adam Smith thought it was the model upon which continental mercantilism was built - [...] » (Wilson, 1967, p.503). In Smith's writings, the doctrine of the « mercantile system » is assimilated to legal and commercial measures (tariffs, retaliations, monopolies), which were much more homogeneous than the writings, on which they were supposed to be based. One easily understand why « The English economists [...] viewed the mercantile system as an agglomeration of commercial interferences fortified by a monetary fallacy which was itself based upon a misunderstanding of the real nature of international exchanges »⁶.

In the same manner, J.S. Mill started his *Principles of political economy* criticizing the ‘system’: « [...] the doctrine that money is synonymous with wealth [...] looks like one of the crude fancies of childhood » (Mill, 1848-1871, vol.1, p.4). To its proponents, classical economy appeared as an adult theory, opposed to immature ones.

⁴ Victor Riquetti, Marquis de Mirabeau, *Philosophie Rurale ou Economie générale et politique de l'Agriculture*, Amsterdam, 1763, p.329, quoted by Judges, 1939, p.44.

⁵ “In his book called Englands [Treasure] by foreign trade, [Mun] endeavours to shew that the balance of trade is the only thing which can support England [...]. On this doctrine of his, which however foolish has been adopted by all succeeding writers, these laws have been founded.”, Smith, 1762-1763, v.75-76, p.300

⁶ Judges, 1939, p.55.

In Germany, the « organic approach », linking the economic and political strengthening of the nation-state was developed in the nineteenth-century. Schmoller saw mercantilism as a necessity (see Heckscher, 1935, p.28). He stated that mercantilism « in its innermost kernel is nothing but state-making – not state-making in a narrow sense but state-making and economy-making at the same time. » (Schmoller, 1896, p.69, cited by Wilson, 1957). Mercantilism appeared as a moment in the western development, when economic preoccupations were subordinated to political ones. Schmoller defended the theory supposed to back mercantilist policies: « la doctrine de la balance du commerce [...] n'est pas aussi erronée que le pensaient Hume et Smith. Elle a sa racine dans le fait historique que l'économie monétaire en voie de formation avait à lutter dans tous les territoires sans production de métaux précieux contre une pénurie de métaux et de monnaies, surtout d'une bonne monnaie nationale particulière. » (Schmoller, 1905, T.V, p.336)⁷. Later, one of Schmoller's followers, Cunningham, studying Englishmen's growing national consciousness, assimilated *plenty* and *power* and gave a central role to the balance of trade doctrine⁸. Mercantism appeared as a historical necessity, when all European nations coalesced, transcending specific interests.

Characterizations of Mercantilism during the twentieth-century

During the thirties, some important contributions about the pre-classical period were published. One can think that the impact of the great crisis, and the policies implemented in the United States or Germany, fuelled researches about the economic role of the State. The publication of Heckscher's magnum opus '*Mercantilism*' (in Sweden in 1931, translated in English in 1935) renewed the interest about the nature of mercantilist doctrines and –above all- their applications. Shortly thereafter, Viner, Judges (and Keynes) used this work to *build* their demonstrations. The results of those works showed some divergences.

Heckscher studied mercantilist policy « between the Middle Ages and the age of *laissez-faire* » (Heckscher, 1935, p.20). This work leads to the idea that the common denominator of the literature of this period is a static vision of commercial and monetary relations (the profits of some groups being identified to the losses of others). A general attitude towards goods (a « fear of goods ») seemed to impregnate the majority of actors and invigorate the system of protection⁹. Heckscher saw those policies as an « *Unifying System* », and –maybe- put an « excessive emphasis on the cohesiveness of mercantilism as an economic doctrine » (Eckelund and Tollison, 1997, p.10). As a sign of this emphasis, Heckscher wrote a « revision » of his book in 1936, in a short article: « [...] Mercantilism became not only a specific type of economic policy, but even more, a characteristic body of economic ideas » (Heckscher, 1936, p.45).

In his *Study* about international trade, Viner tried to delineate the leading themes of mercantilism. He centred his study on the concept of balance of trade. The key-idea was that « The mercantilists wanted an export surplus primarily because they wanted more bullion and because they saw that for a country without gold or silver mines a favourable balance of trade was the only means available to procure bullion. » (Viner, 1937, p.15). While pointing up the fallacies embodied in the

⁷ The same argument appears in Schumpeter 2005, p.97.

⁸ « This doctrine of the balance of trade obtained general acceptance in the earlier part of the seventeenth century, and exercised a considerable influence on legislation. », Cunningham, 1903, T.I., p.177.

⁹ « As soon as the result of production, from the producer's standpoint, no longer consists in other goods but in money, then the money yield appears as the only aim of economic activity, other goods are then considered unwelcome since they are merely competing with one's own products for the monetary equivalent. », Heckscher, 1935, II, p.138.

literature from the period: regulation of trade, the assimilation (for some authors) of specie to wealth, the concern about population, he had some difficulties to identify « the mercantilism », because his readings showed that a lot of authors differed from the so-called dogmas.

Inversely, Judges showed that there was no coherent doctrine. He started his article noting that « an 'ism' to be worthy of serious consideration must offer a coherent doctrine, or at least a handful of settled principles. » (Judges, p.41). According to him, « The discovery of the existence of a body of mercantile beliefs was made in the eighteenth century by men who found security for their own faith in a system of natural law. » (Judges, 1939, p.). He also showed the influence of German thinking in the shaping of this new « ism ».

The famous short note at the end of Keynes' *General Theory* was conceived as a trial to rehabilitate mercantilist thought. According to Keynes, in a system where a manipulation of the rate of interest was impossible, the doctrine of an excess of exports over imports was fruitful, in order to ease the investing process. He took for granted the desire to increase the stock of money, but connected it to the promotion of investment. Therefore, « the methods of the early pioneers of economic thinking in the sixteenth and seventeenth century may have attained to fragments of practical wisdom which the unrealistic abstractions of Ricardo first forgot and then obliterated. » (Keynes, 1936, p. 340). Once again, the question of optimal policies was discussed.

In the thirties, mercantilist policies were, in a sense, rehabilitated – anyway, much more than doctrines were. But most of the time, the idea of a dogma was held. To put it short, some characters emerged in the gallery of economic history: the « pure mercantilists » (Heckscher 1935, II, p.322). « The mercantilist was willing to take the cash and let the commodity go; he preferred bullion to butter. » (Heaton, 1937, p.389).

Schumpeter showed an interest for 'mercantilism' (always with quotation marks), rooted in « [...] a formative period in which there were no professional standards » (Schumpeter, 1954, p.155), and treated it as pre-analytical thinking. But he admitted some remarkable achievements¹⁰ due to authors like Petty, Steuart and others. While surveying most of the works dealing with mercantilist writings since the thirties, Blaug summarized: « [...] an increase of the stock of money [...] in a dominantly agrarian economy merely produce inflation without leading to full employment. If this be accepted, it follows that most of Adam Smith's predecessors were 'monetary cranks', not prescient Keynesians » (Blaug, 1964, p.115).

More recently, Mirowski, while stressing that « Attempts to summarize these early tracts are made difficult by the fact that they were not written with an eye toward system » (Mirowski, 1989, p.147), developed the idea that there were two « kinds of mercantilism »! He distinguished between a « balance-of-trade mercantilism » and a « free-trade mercantilism ». While the first one settled money as a value index, the second one was in search of an intrinsic value. The major shortcoming of this exposition is that the author took his examples exclusively from the works of Misselden, Petty, Barbon and North. When trying to encapsulate the *zeitgeist* (*esprit du temps* / spirit of the time), it seems worrying that the diversity of discourses about trade on the continent is reduced to English authors, most of them fellow travellers of political arithmeticians.

According to the period, mercantilism was more or less criticized, but there was little doubt about its existence, the very notion we will now examine.

¹⁰ Even if « L'unité de conception est absente », « une théorie de la monnaie marchandise [...] n'est absolument pas toujours celle des mercantilistes », Schumpeter, 2005, p.99.

II A diversity of analytical standpoints

Reassessing the so-called 'mercantilism' can be discussed following the three following issues: What sorts of writings did exist at that time, and where should we look for mercantilist ideas? Is there a set of doctrine generally accepted by all authors? What key features may help distinguish between them?

Who is it for? Three categories of writings

During the period going from the sixteenth century to the first half of the eighteenth, generally acknowledged as that of the domination of mercantilist ideas and practices, three main categories of writings on production, trade and money can be distinguished, depending on the recipients of those publications: for short, merchants, policymakers or philosophers and publicists.

There were writings for merchants, moneychangers and their staffs. Such books, written by experienced peers, generally consist in presenting technical, factual or historical information in order to inform or to train readers. They aim at providing bases on trading techniques, information on business environment, formation and background on accountancy and arithmetic, and sometimes technical advises about business¹¹. Other books, however, are written by Scholastics philosophers and aim at providing moral background and advises to the daily practices of merchants. One can find, in those cases, much grounded analyses, as a series of publications from Spanish scholastics (Dominican and Jesuits) shows it during the second half of the sixteenth century: especially Azpilcueta's and Mercado's.

There is a second category of writings, intended for policymakers, higher officials and princes. Their purpose is to analyse economic, financial and monetary issues in order to provide advises to policymakers for a better economic administration. Therefore, except when an author writes a pamphlet (being himself far from power, in some political contestation as French Huguenots around 1680), or protecting himself by remaining anonymous, a formal allegiance to the prince appears to be necessary (e.g. see how Montchretien, 1615, starts his book). But such an allegiance is a formal necessity that do not prevent sometimes strong oppositions to the prince or their advisers. It is to say that strong debates may appear even in this context of writings formally addressed to princes. Other writings of this category are historical ones, especially concerning money, when writers develop a history of the coin (for example, in France, Bouteroue, 1666).

A third category of writings is intended for peers, *ie* mainly philosophers or publicists, which is increasingly disconnected from the Church. It is, by far, the less extended category; and, while the two former ones characterize the 16th and 17th centuries, this third one mainly develops during the 18th Century and finds a favourable context with the Enlightenment. Analyses are not directly intended to make advises for a better administration or for merchant's daily business. They aim at providing theoretical foundations disconnected with immediate political necessities or commands. This can obviously lead to advises for concrete economic policies, but this is not their first goal.

¹¹ Concerning such books in the kingdom of France, see Meuvret (1971).

Where should we expect to meet mercantilism?

Consequently, the authors' purposes in writing on economic, financial and monetary issues widely differ. "Mercantilism" needs to be made relative according to those divergences.

Was mercantilism a general ideology shared by all writers? Such a viewpoint is absurd. The mere debate on the origins of the quantity theory (Bodin? Azpilcueta? Davanzati?) allows indeed to dismiss this idea: not only because it shows debates between authors of the period, but also because quantity theory appears to be logically contradictory to mercantilism, if by "mercantilism" one has to include proposals aiming at increasing the quantity of currency inside a sovereign territory.

Was mercantilism a *zeitgeist*, a set of common ideas shared by most of people (say, economic elites, political elites, higher officials...) all along decades? This would help explaining both a relationship between writings and policies and divergences between authors. Some of them would represent an advanced state of economic thought, processing a progressive disconnection with mercantilists power-dominated ideas and proposals. In this point of view, factual writings, as handbooks and encyclopaedia for merchants, but also as numismatic books aiming at historical reconstitution and celebration of sovereignty, should not be neglected by scholars looking for that spirit of the time. In the same way, books written to advise policymakers, higher officials and princes did not necessarily provide theories but a view on common ideas widely shared among those elites. This assumption leads to expect mercantilism not in advanced economic writings, of theoretical standpoints and universal claims, from leading philosophers or publicists as Bodin, Locke and a few others, but among second-rate writers. A normative shortcoming of such an assumption is that mercantilism appears to be naturally a default, to be denounced and defeated thanks to the higher views and theoretical grounds of great writers.

Not totally rejecting the *zeitgeist* assumption, we would like to make it more precise and complete it through a socio-political contextualization that allow to avoid the former shortcoming. Under this viewpoint, "mercantilism" was neither a system of thought, nor a current of thought; should the very term be maintained, this was a set of ideas related to policies thanks to relationships between policymakers and some of the authors of the period. This leads to deconstruct the assumption of the existence of a wide set of mercantilist writers almost unified.

Who is it from? Four categories of authors

An insight into some European writings allows to deconstruct mercantilism by identifying distinct categories of authors on currency issues. Making such categories requires to accept the assumption that ideas were not developed only in a specific geopolitical (not to say "national") context, but there existed common issues and intellectual bridges. The geopolitical context was of course extremely important, especially when the unification of monetary circulation was at stake (for example, in the Holy German Empire). However, the development of ideas was practically oriented by common issues, especially the very the common problem of debasements, counterfeiting, rising prices, the building of monetary sovereignty, etc. It was, too, influenced by intellectual bridges through which a series of authors developed contacts with foreigners (travels) and imported ideas from abroad, making some of them key thinkers at a European level, sometimes translated and read throughout Europe. Under this respect, Scholastic thought had an obvious influence in the whole catholic Europe.

a- Late Scholastics

Scholastic writings progressively declined after the Renaissance and tended to disappear at the beginning of the seventeenth century. Spain appeared to be its last place. Several Scholastic philosophers wrote important texts between the decades 1550 and 1600, especially in the so-called School of Salamanca, to which belonged Dominicans. They designed especially texts to confessors (Azpilcueta) and merchants (Mercado) and worked on the moral backgrounds on their economic activities. Others wrote on monetary policy with a moral standpoint (Mariana, Jesuit). These authors were outside the power, their aim was not related to an urgent request in order to provide the means of a greater strength or simply a rising budget to the prince or the State. On the contrary, Mariana, for example, taking brave positions on debasements, experienced jail.

Concerning money, those authors were clearly practical metallists: beyond their conception of money as a human convention, the only way to enforce justice was to avoid debasements and to link money to metal. From Mercado and Azpilcueta, two main points can be stressed: first, the formulation of ideas relating the price of money to its quantity, as some historians of economic thought identify in their writings the genuine origin of the quantity theory (Baeck, 1994); second, a recognition of international trade and its benefits for the whole society, and the moral validation of the moneychangers activities, far from the various denunciations that arose in periods of crises. A few decades after Mercado and Azpilcueta's works, Juan de Mariana (1609) wrote against the idea of an unlimited sovereignty and denounced debasements, in the context of issues on small change (the vellón crisis).

Some European authors outside the Church were influenced by Scholastics, especially concerning usury: in France, Bodin (1576); in England, Malynes (1601-1603) and Petty (1662), who experienced several years in a Jesuit convent in Caen; in Germany, Seckendorf (1655). However, the scholastic ideas who influenced them were not necessarily the latest ones, and one can find in Malynes' denunciation of usury and change a product of the old scholastic standpoint prohibiting both of them; on the contrary, Salamanca authors analysed and acknowledged such market practices.

b- Administrators of the Mint and regular advisers on money

Technicians of the Mint or regular advisers of sovereign Courts on money developed arguments quite far from nominalism that is sometimes considered as a characteristic of mercantilists. They did not analyse monetary issues in order to increase the power of the prince. They barely dealt with balance of trade as a means to stimulate in order to experience an inflow of currency – even if movements of trade may be analysed as related with the quality of the currency for example.

The most interesting example is that of the French *Cour des monnaies*. It had, since 1552, a central role in preparing monetary edicts and controlled all the monetary activity in the kingdom, from the quality of metals to all professionals using money or gold and silver metals¹². The Cour had, then, a leading opinion, and especially its higher officers. Those opinions were clearly metallists, in a practical way, if not theoretical. The French reform of 1577, proposed and advocated by Thomas Turquam, general officer of the *Cour des monnaies*, is all but a "mercantilist" reform: it leads to suppress the distinction between imaginary and real money, imagining a very modern system in which the main existing coin, the *ecu*, is also

¹² Unfortunately, there is no recent historical study on the *Cour des monnaies*. See Constans (1658) and Bazinghen (1764).

transformed as the unit of account; the unit is then directly defined in metal, with a definition that is designed to be fixed for a long time. It will not change before 1602. Turquam's ideas and writings dramatically stress the necessity to back money on metal, however without developing a theoretical framework in which money appears to be defined as a commodity. No far-seeing theory can be found here, neither on money related to activity, nor on money and trade balance; the focus being centrally put on urgent issues of the coin (bad quality, flight, etc.).

In Italy, Gaspard Scaruffi (1582), director of the Mint of Reggio Emilia, proposed a monetary reform in order to define coins only on the basis of their metallic content. Montanari (1680) was long employed to the organisation and management of the Venetian Mint, the *Zecca*. Under a formal nominalist position (the State defines money, be it metallic or not), he came to identify limitations to freedom of the prince and concluded that money should be defined on the basis of its intrinsic value: Montanari showed actually a practical metallist view.

In England, Isaac Newton's position is very interesting under the respect of the present assumption concerning four categories of authors. At first, Newton was not opposed to debasement; but when he became Master of the Mint, his views were submitted to the interest and the traditional position of his institution, and he started supporting the idea of stability of the currency. At the beginning of the eighteenth century, he validated and institutionalized the Lockean principle of stability of the currency, which had led to the Recoinage Act of 1696.

Writings from this category of authors develop mainly during the 16th and the 17th century; then things seem to be calmer and require less texts from masters and other officers of the Mint on monetary issues.

c- Treasury administrators, fiscal officials, regular advisers on finance, higher officers and ministries

If the categories (a) and (b) show standpoints really different from what could be named "mercantilism", the category (c) allows to recognize some characteristics of it – but on a quite shaded pattern. In this category, we find most of the State administrators identified by Schumpeter (1954, I): people durably engaged in the State government (*ie* political higher staff), administration (*ie* higher officers administrating the State), or durable advisers. Among these people, those who are important here were especially in charge of budget, finance and taxes – anyway, not of money. Here can be found authors directly engaged in the search for greater power of the prince or the State, some being affected by urgent issues, others being concerned by long-term issues.

The power of the State is not to be assimilated, however, to the financial power of the Prince, since an efficient circulation of currency is, for some of them, the best way to ensure the State's strength. This is especially the case of German cameralists writers (Hörnigk, Schröder), who conceived that money was the best means to get wealth rather than a synonymous of wealth. Then, the accumulation of currency in Treasury is not the central point; it is rather its circulation. There were, of course, writers that identified wealth to money, but it was not a leading idea; it seems rather to be such a common idea spread among second-range writers who do not intended to build a theoretical framework and, generally, who do not intended to advise the prince at all (especially authors of numismatic books as Bouteroue, 1666).

This search for the power of the State produces a certain confidence in legality and juridical apparatus.

Money appeared to be, at first, a product of the State, controlled by the prince by the means of law. This chartalism was affirmed for example in Germany by the Cameralists Seckendorf and Hörnigk, in Italy by the Napolitan De Santis, in England

Lowndes, etc. In the Holy Empire, where money was a very local matter, this chartalism was frequently associated with proposals aiming at simplifying and centralizing the issuance of money (see Seckendorf and Leibniz). Anyway, this formal chartalism was sometimes covered up by a practical metallism aiming at grounding more strongly the prince's power, especially during periods of crises.

A favourable balance of trade was a key feature of the ideas of this range of authors. But the very notion of balance of trade is controversial. For instance, in the debate between Serra and De Santis during the years 1605-1613 in Naples, the divergence of interpretation was based upon a different definition of the balance of trade: while De Santis analysed why a positive balance of trade did not generate an inflow of currency, Serra explained that, since movements of capital were included, the balance was rather negative. Besides debates on the very definition of the trade balance, the common view was the necessity to generate a positive balance. A control, or a better control, of imports, especially limiting or prohibiting some sorts of imports (luxury goods in particular), was a widely shared proposal. A stimulation of exports was less frequently proposed; we find it especially among ministers like Laffemas and Colbert in France and, after Colbert, among German Cameralists like Hörnigk.

d- Pamphleteers and philosophers

A fourth category includes a range of very different authors.

Most of them were pamphleteers who were very far from the power and pointed out one precise public issue, being led frequently by a particular interest, as merchants, and not trying to build a theoretical system. For example, Thomas Mun and Josiah Child supported the interests of the *East India Company*, while Misselden supported those of the *Merchant Adventurers* company. Only a few pamphleteers became momentary advisers approaching the power in a short and unique moment of their life.

Along with them, there is a range of writers who built up a philosophical system including economic issues — the latter not being necessarily a dependent part of the former: in France, Bodin; in England and English-controlled areas, Locke and, later, Hume and Berkeley; in the Holy Empire, Leibniz; etc. These writers could participate in public controversies through the publication of short pamphlets, as Bodin (1568) replying, and formally defeating, Malestroit's paradoxes (1566), as well as Locke, firstly publishing anonymous pamphlets (1691, 1695a); their role in the economic debates of their time was then very important, the more they had an institutional position. But pamphlets had to be considered as a part of a deeper analysis of monetary matters, like Bodin (1576) and Locke (1695b).

The heterogeneous character of this category of pamphleteers and philosophers could prevent from any systematisation of the presentation of their monetary ideas. Nevertheless, it could be useful to stress the few following points.

First, only a little part of those authors succeeded in slightly influencing public debate and political decisions. It is true, however, that several great debates were fuelled by a series of pamphlets: in France, the debate generated by Malestroit's official text (1566) and followed by the publicist Bodin; in Italy, the napolitan debate between De Santis and Serra (1605-1613); in England, debates around the balance of trade, generated by Malynes's pamphlet (1620) followed by texts from Misselden and Mun, or debates before the recoinage Acts, beginning with Lowndes's official report (1695) and in which several pamphleteers vainly battled against Locke.

Second, many of the pamphlets were orientated towards very common denunciations: especially debasements, usury, the flight of good coins, etc. Some of

them produced analytical and sometimes theoretical advances, as Bodin's analysis on the causes of inflation (1566, 1578), Serra's reflections on the consequence of bills of exchange on the inflow of currency (1613) or the presentation of the concept of balance of trade by Mun (1622) and Misselden (1623).

Third, while most of the pamphlets did not provide further advances in economic reflection, nevertheless they help outline the landscape of common issues and ideas of the time. For example, in Spain, a great diversity of pamphlets from the *arbitristas* during the beginning of the seventeenth century worried about poverty, the consequences of the *diluvio* of precious metals, the decline of Spanish control of trade coming from the Americas, etc. In France, a flood of pamphlets between the years 1560 and 1580 denounced a growing inflation, the bad quality of coins, the dilapidation of public revenues in religious wars, etc. During the years 1602 and 1620, they emerged against the flight of good coins and the growing monetary disorder. A good money was generally advocated for, as well as a prohibition of the use of bad foreign currencies (the latter which proved to be impossible to put into effect).

Finally, we find, in those pamphlets, some characters of the so-called mercantilism, but generally without theoretical foundations nor systematisation. Perhaps with the exception of Montchretien (1615), the most systematized reflections are precisely apart from the main characterization of mercantilism: Bodin's quantitative milestones, Locke's theoretical metallist approach, etc.

III The reasons for a reconstruction

Why, in spite of numerous examples of « dissenting » advices concerning the definition of money, of its circulation or regulation, the myth of a monolithic "mercantilism" remained, especially in the monetary domain? One can see the influence of both the classical and the German historic school: theoretically and historically, previous writers *must have* been fascinated by currency under its metallic form.

Economic and Political Thoughts: « the reason of state »

One of the major explanation of the tale of a coherent body of thought named « mercantilism » is the predominance attributed to political thinkers. Indeed, for long, prime rate political authors wrote about monetary questions. The divergence of interests was one of the struggle of elites to control governmental institutions (see Root, 1994). The political theories of Hobbes or Bodin affirming the strength of the state needed to be checked in the field of economic theory. Hobbes explained the search for power and wealth and the politics of expansion (whereas treating monetary subjects, he was influenced by the medical observation of the circulation of blood –see Desmedt, 2005). In a similar way, at the end of the 17th century, the role of Locke was very important and his radical position was overstated. The regular reprints of great political thinkers fuelled that bias: Bodin, Locke... were presented as representatives of a leading current of thought. The logics of edition preferred reprints from famous authors, even if their doctrines were not the most articulated.

Moreover, historically, it seemed « natural » to import concepts justifying the edification of nation states into monetary analyses. If mercantilist policies had been adopted, a coherent body of theoretical discourse necessarily supported them: the German Historic school built his discourse following this point of view. The building

of national territories was controlled by the state: an apparatus of administrations, customs, colonial conquests... developed. Among these phenomena, the minting of coins was given a paramount importance: in the numerous pages dedicated to the nation state-making process, Schmoller never cited the networks of bills of exchange, of financial relationships between merchants. Dominated by the state, the economy of the mercantilist period had apparently little to do with the ingeniousness of merchants in the financial and monetary fields. In this domain, the common thought saw unification as the result of the circulation of coins linked to the edification of public finance (see Backhaus, 2004). Monetary and fiscal policies were narrowly connected. In order to increase State revenues, seigniorage was determinant. So, for Schmoller and his followers, banks and financial intermediaries did not appear in the landscape¹³. Paper-money appeared as a « complication », an epiphenomenon not so important. The scheme was pyramidal (institutions governed by the state), not horizontal (the actors engaged in petty or long distance commerce). Taking for granted that the rupture of paper-money introduced by legislative acts was a characteristic of the modern era, not of 17th or 18th century, a number of historians neglected private financial networks. According to Knapp, « The great controversy between the metallic theory and the Chartal theory may be summed up as follows: The metallist defines the unit of value as a given quantity of metal. [...] The chartalist defines the unit of value historically. » (Knapp, 1924, p.302). Given this definition and the theoretical background, the conclusion was that mercantilists, fascinated by precious metals, were inappropriate metallists: a quite short conclusion on a much more complex intellectual map.

Incoherences: the case of money

Schumpeter summed up the division in the history of economic analysis between a « commodity theory » and a « claim theory » of money. In short, money is a thing who has an « intrinsic » value, or is above all a social relation (see Ingham, 2004). Authors from the 16th to the 18th century were progressively classified under the first of these theories. They must have been prisoners of a conception of wealth as money, whereas « modern » authors escaped this tropism¹⁴. Only the modernity (Smith and the classical school, or Knapp or Simmel) allowed theorists to escape the previous dead-ends. In one case (the classicists), real factors were determinants (money as a veil), and the importance of money in the two preceding centuries was « childish »; in the other (German historic school), pre-modern structures were not « modern » and writers were prisoners of an archaic conception of money.

But, even if kings (and poets) were perhaps fascinated by the glimmering of metals, the majority of their advisors certainly was not. Traders who wrote pamphlets later labelled under the term 'mercantilists', used daily 'fictitious' wealth (token currencies, tallies, bank notes, lottery tickets, goldsmiths notes...) in their operations. So why most of the writers should have been fascinated by precious metals? European kingdoms put an emphasis on bullion, because coinage of precious metal was a non negligible source of revenue « Sovereigns [...] looked on their merchants and bankers as competitors whose book transactions evaded taxation and reduced their seigniorage profits from minting. » (Ingham, 2004, p.194). But European

¹³ « Le monopole, la politique et la police de la monnaie dans les mains de l'Etat, voilà la condition préalable d'une certaine liaison, d'une certaine organisation de toute circulation en faveur de l'intérêt général. » (Schmoller, 1905, T.III, p.182).

¹⁴ « The attachment of the German 'historical school' to the credit theory of money was only one, albeit important, aspect of their feud with the economic theorists. », Ingham, 2004, p.184.

merchants certainly relied more often to credit-based means of payments than to coins.

The absence of a theory of value in a number of writings lead pamphleteers to emphasize the « real » factors: employment, the demand for products, the opportunities to sell outside... Some authors believed that money was a pure medium of commerce, while others did not draw a clear division between capital and money... In conclusion, « [...] theories about the productive function of money cannot constitute the distinguishing features of an historically limited school of economic thought. » (Herlitz, 1964, p.113). The period ranging from the 16th to the 18th centuries was crossed by numerous currents of thought.

Money is always fiduciary: metal doesn't have a more « intrinsic value » than paper. What gives money its value, is trust each society puts in it. How can merchants immersed in the web of commercial and financial transactions, informed by the movements of the « course of the exchange » or commercial companies shares, be in the same time « seen as irrational specie accumulators » (Ekelund, Tollison, p.16)? During the sixteenth-century, private money circulated alongside coins minted by local powers (Boyer-Xambeu, Deleplace, Gillard, 1986) and non-commodity forms of money were frequent. The merchant world was dominated by the writing form, by the signing and reputation of the different parties involved in contracts. In the Spanish world, armies were seeking gold and silver mines, encouraged by the crown, but most of the economic analysis departed from this short-seeing fascination.

For the German historical school, each period had its features: commodity money was associated with pre-modern Europe, while the struggle for power and national building required all energies to coalesce. These ideas rejoined classical thought, describing money as a 'veil': the 'barter fable', with a natural economy progressively choosing one instrument as a means of payment.

Thus, for opposed reasons, more or less orthodox theories led to the same goal: pre-Smithian, or pre-modern thinkers were imprisoned in an active or a metallist theory of money which had to be criticized.

CONCLUSION

Writings about monetary matters from the 16th to the 18th centuries had frequently been qualified of analytical fallacies, being 'pre-', whether Smithian or modern. They were made a tool to be presented as a support to political decisions, or to demonstrate some theoretical incoherence. But Cameralists or Lockean views can hardly give a representative view of monetary doctrines of this vast period. As Hutchison pointed out, "pluralism ruled" (Hutchison, 1988, p.11). As Appleby noted some years ago, « [...] historians have concluded that the only common thread among these writings is a tolerance of state intervention in economic matters. This judgment is an anachronism that tells more about the period in which it was made than the object under observation. » (Appleby, 1978, p.26) This is a obvious call to a deconstruction of the "mercantilist" notion; under this respect, one should identify a mercantilist fallacy less in the pretended economic doctrines it refers to, than in its further reconstruction by history of economic thought.

Consequently, if, by « mercantilists », it is to be understood authors of writings proposing a development of the power of the State by the means of an accumulation of money (assimilated to wealth) permitted by a favourable balance of trade, what should one conclude from the previous deconstruction? As a first conclusion, one should acknowledge that common denunciations (against bad coins for example) did not lead to common theories or, at least, a to wide set of analyses commonly shared.

Moreover, there were different sorts of writings with different goals, that were translated into divergent political and sometimes theoretical positions. Finally, “mercantilist” ideas are not to be found under the pens of scholastics, regular advisors on money, administrators of the Mint and philosophers. They may be found under the pen of administrators of the Treasury, fiscal officials, regular advisers on budget, higher officials and ministries, or pamphleteers. Consequently, “mercantilism” cannot be seen as a common ideology. It is rather a set of ideas expressed by some authors and overall applied by policymakers; if this set of ideas builds a system, it is rather by the convergent practices of policymakers than by a unifying theory.

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