

Boisguilbert, natural wealth was not just biological necessities; rather ‘true wealth consists of a full enjoyment, not only of the necessities of life, but even of all the superfluities and all that which can give pleasure to the senses’.

In addition, Boisguilbert was perhaps the first to integrate discussion of fiscal policy with his general economic doctrines. Adopting Vauban’s proposal for the elimination of all taxes and their substitution by a single direct tax of 10 per cent on all incomes, Boisguilbert analysed and bitterly denounced the effects of indirect taxes on agriculture. Heavy taxes on grain, he pointed out, have raised costs and crippled grain production and trade. For four decades, he argued, the French government had virtually declared war on consumption and trade by its monstrous taxation, resulting in severe depression in every area of the economy.

On the free market, in contrast, everyone benefits, for ‘trade is nothing but reciprocal utility; and all parties, buyers and sellers, must have an equal interest or necessity to buy or to sell’.

Hence, with Belesbat and Boisguilbert, the focus of the classical liberal attack on statism shifted from moralistic denunciation of luxury or pernicious Machiavellism to meeting mercantilist doctrine on its own utilitarian grounds. Even setting aside classical morality, then, utility and general happiness require the private property and *laissez-faire* of the natural order. In a sense, old-fashioned natural law had been extended to the economic sphere and to the meshing of individual utility and self-interest through the working of the free market. In contrast to devout mystics like Fénélon, Belesbat and Boisguilbert were in harmony with the new mechanistic cosmologies of Isaac Newton and others of the late seventeenth century. God had created a set of natural laws of the world and of society; it was the task of man’s reason, a reason universal to all, regardless of nation or custom, to understand those laws and to achieve their self-interest and happiness within them. In the economy, free trade and free markets, through the harmony of reciprocal benefits, advanced the interest and happiness of all by each seeking his own personal utility and self-interest. The Golden Rule, and absence of violence, was the natural moral law that uncovered the key to social harmony and economic prosperity. While such analysis was not in itself anti-Christian, it certainly replaced the ascetic aspects of Christianity with an optimistic, more man-centred, creed; and also it was consistent with the rising religion of deism, in which God was the creator, or clock-winder, who created the mechanism of the universe and its self-subsistent natural laws, and then retired from the scene.

As Professor Spengler has pointed out:

the eighteenth century conceptualized the economic (or social) universe. It made the hidden processes of the social order visible even as the seventeenth had

become aware of those of the physical order and made them visible; it generalized to the realm of man the notion of the ‘frame’ hidden behind ‘the most common Phenomena’ and the ‘Invisible Hand’ by which ‘Nature works’ in ‘all things’.

As for Boisguilbert, his contribution was to be

among the first, if not the first, to conceive, albeit imperfectly, of the system of relations that underlies the economic order...His contribution consisted in his sequestering (however imperfectly) the economic order from the total societal system, in becoming aware of the comparatively autonomous character of this order, in discovering the essentially mechanical and psychological connections binding men together in an economic order and in drawing attention to the manner in which the economic order was subject to disturbances by impulses originating in the political order.¹⁵

It should also be mentioned that it surely seemed easier to convince the king and his ruling élite of the general utility of private property and the free market, than to convince them that they were behaving as the heads of an immoral and criminal system of organized theft. So that the basic strategy of trying to convert the king led inexorably to at least a broadly utilitarian approach to the problems of freedom and government intervention.

9.10 Optimistic handbook at the turn of the century

The rapid spread and even social dominance of these new ideas of *laissez-faire*, crypto-deism, and the morality of utility and the Golden Rule, may be seen in the *Dialogues*, a virtual handbook of fashionable manners and ideas for the social climber, published in 1701 by the young *littérateur*, Nicholas Baudot de Juilly. In *Dialogues*, Baudot, son of a tax farmer in Vendôme, after lauding the manners taught in fashionable salons, proceeds to the ruling ideas of the day, where he vulgarizes the *laissez-faire* doctrine into one grounded in a frank and candid hedonism. The desire for pleasure and for the avoidance of pain was grounded in the natural drive for self-preservation. Furthermore, the God of Christianity, in the hands of Baudot, became a quasi-deistic god who has provided ‘all nature’ as a ‘great feast where in His inexhaustible goodness God has convened us’. The Garden of Eden had been a realm of enjoyment and sensate pleasure; the purpose of Jesus’s arrival on earth was to recall mankind to that original enjoyment. Asceticism, furthermore, causes economic misery. Specialization, trade, and the pursuit of wealth in the marketplace were the truest, and therefore the God-given, forms of charity.

As Baudot put it: God had ‘purposely permitted us to multiply our needs in order to cause money to circulate among all men, passing from the purses of the rich to those of the poor’.

Trade, then, is the genuine charity:

All this [regional specialization and communication] has been so admirably accomplished in order to bind men to one another, who in effect should form only one single family so that the need they would have for one another would accomplish among them what charity alone ought to do. It is for this reason that men..., however different in mores, language, and Religion ... are becoming united from one end of the world to another by reciprocal trade. It is also for this reason that they exchange equally things which are agreeable and those that which are necessary, so that they can not only sustain life as in a pasture like beasts, but also to render it sweeter, more humane and more polished by pleasures.

9.11 Notes

1. In his 'Justification of M. Colbert', his nephew, Nicolas Desmaretz, whom Colbert had wanted to succeed him, wrote angrily that: 'The memory of Monsieur Colbert was attacked with great animosity after his death. At that time all authority was in the hands of his enemies, and they had the pleasure of exercising their hatred by violent persecution against all those whom he employed...' Quoted by Lionel Rothkrug, *Opposition to Louis XIV: The Political and Social Origins of the French Enlightenment* (Princeton, NJ: Princeton University Press, 1965), p. 223.
2. Quoted in Charles Woolsey Cole, *French Mercantilism, 1683–1700* (1943, New York: Octagon Books, 1965), p. 248.
3. Rothkrug, op. cit., note 1, pp. 231–2.
4. In addition to the ten elected deputies, the king appointed two merchants 'representatives' from Paris. Unsurprisingly, they proved far tamer in their attitudes toward the Crown.
5. Madame Françoise d'Aubigné, Marquise de Maintenon (1635–1719).
6. Rothkrug, op. cit., note 1, pp. 267–9.
7. Rothkrug, op. cit., note 1, p. 270.
8. Rothkrug, op. cit., note 1, p. 333.
9. See Rothkrug, op. cit., note 1, pp. 333–4.
10. Under the circumstances, the title of the English translation two years later, *The Desolation of France*, does not seem inaccurate.
11. N.O. Keohane, *Philosophy and the State in France: The Renaissance to the Enlightenment* (Princeton, NJ: Princeton University Press, 1980), p. 352.
12. Ibid., p. 353.
13. Quoted in Cole, op. cit., note 2, p. 266. Or, in another place: 'il est seulement nécessaire de laisser agir la nature'. (It is only necessary to let nature act.) See Joseph J. Spengler, 'Boisguilbert's Economic Views Vis-à-vis those of Contemporary Réformateurs', *History of Political Economy*, 16 (Spring 1984), p. 81n.
14. Keohane, op. cit., note 11, pp. 354–5.
15. Spengler, op. cit., note 13, pp. 73–4. Spengler adds that the term 'invisible hand' was first used by the English writer Joseph Glanville, in his *The Vanity of Dogmatizing* (1661), a century before Adam Smith used the concept similarly. In his philosophical essays, Smith treated philosophy as 'representing the invisible chains which bind together' seemingly unconnected phenomena. Ibid., p. 73n.

10 Mercantilism and freedom in England from the Tudors to the Civil War

10.1	Tudor and Stuart absolutism	277
10.2	Sir Thomas Smith: mercantilist for sound money	280
10.3	The ‘economic liberalism’ of Sir Edward Coke	283
10.4	The ‘bullionist’ attack on foreign exchange, and on the East India trade	284
10.5	The East India apologists strike back	288
10.6	Prophet of ‘empiricism’: Sir Francis Bacon	292
10.7	The Baconians: Sir William Petty and ‘political arithmetic’	296
10.8	Notes	304

10.1 Tudor and Stuart absolutism

Dominant in English political thought from the early sixteenth to the early seventeenth century was a form of simplistic and militant absolutist thought that has been called the ‘correspondence theory’ or the ‘political theory of order’. This royalist doctrine was fashioned for the Tudor–Stuart age in which the king struggled to establish his absolute power as against the international influence of the old religion, Catholicism, and over the Calvinist Puritans, who had definite republican and populist tendencies. In contrast, God was now supposed to be speaking through the English king and therefore through the head of the Anglican Church.

The basic philosophic groundwork was the ‘natural order’ – the ‘great chain of being’ – which, since the Middle Ages, had been seen as strictly hierarchical, with God at the head and man as the highest of his material creatures. But then came the fundamental methodology: flimsy analogy, or ‘argument by correspondence’. Just as God was sovereign, and superior to various ranks of angels and finally to man and then other inferior earthly creatures in the ‘macrocosm’, so in the individual ‘microcosm’, within each person, the head must be sovereign over the body, and reason and will dominant over the appetites. Similarly, the father is sovereign over his family. More specifically and pointedly in the political realm, the king, the father of his people, must be sovereign over the body politic.

This flimsy organicist analogy was pushed to great lengths. The head in the human body ‘was’ the king in the body politic; health in the former constituted social well-being in the latter; the circulation of the blood was the same as circulation of money; rule of the rational soul was royal sovereignty, and so on. The only ‘argument’ was correspondence: that the ‘governmental’ and social ranking alleged to exist in the heavenly sphere must be duplicated in earthly government and in social life.

One problem with the argument from correspondence is that freedom of the human will enters into politics and social life but does not do so elsewhere. It is rare for the liver to ‘rebel’ against the head, and yet an important conclusion of this royalist political philosophy was that political rebellion is as evil and anti-natural as such ‘rebellion’ by the liver. Similarly, individual subjects *must* obey the divinely appointed monarch, else the divine order collapses into anarchy and disorder, and corruption and decay then rule in human life.

While the liver has not often rebelled against the head, the royal absolutists *did*, of course, have an analogy to fall back on in heavenly government: Satan’s wicked rebellion against the sovereignty of God. Similarly, the great fact of human history was Adam’s Fall, brought on by rebelliousness against divine authority and by overweening self-pride.

God and the king; Satan, Adam, and rebellious subjects; these were the analogies and correspondences that the royal absolutists tried to drive home.

Thus, Anglican Church homilies on obedience, in 1547 and 1570, called obedience to the sovereign ‘the very root of all virtues’, while ‘a wicked boldness’ is the source of all sin and misery. As the homilies stated: all ‘sins possible to be committed against God or man be contained in rebellion’, which ‘turn(s) all good order upside down...’. It is the absolute duty of all inferiors ‘always and only to obey’, just as the body obeys the soul, and as the universe obeys God.

In stark contrast to the scholastics, as well as to Calvinist or Leaguer monarchomach thinkers, the Anglican preachers of order stressed time and again that the subjects must obey the king in any and all circumstances, whether or not the king or his actions were good or evil. There must be no resistance whatever, even to evil princes. The king is the divinely mandated representative of God on earth by hereditary right. To question, much less to disobey the king, therefore, was not only treason but blasphemy. Disobeying the king is disobeying God. As the influential *Mirror for Magistrates*, which went through many editions from 1559 to 1587, maintained: ‘God ordains all magistrates’. Therefore, God ordains ‘good when he favoureth the people; and evil when he will punish them’. In short, good kings are a blessing sent to the people by God; wicked kings are a punishment equally sent by the divinity. In either case the duty of the subject is absolute obedience to God’s/the king’s commands. ‘And therefore whosoever rebelleth against any ruler either good or bad, rebelleth against GOD, and shall be sure of a wretched end...’

To the royalist thinkers, the rising claims of individual freedom and the natural rights of each individual only led to mischief and destruction of God’s rational order. Thus Richard Hooker (c.1554–1600), the leading Anglican theologian of the sixteenth century, in his famous *Laws of Ecclesiastical Polity* (1594–97), lashed out at any notion of individualism. Though himself a moderate on royal absolutism, Hooker wrote that the idea of every man ‘his own commander’ ‘shaketh universally the fabric of government, tendeth to anarchy and mere confusion, dissolveth families, dissipateth colleges, corporations, armies, overthroweth kingdoms, churches and whatsoever is now through the providence of God by authority and power upheld’.

One of the most extreme royal absolutists in the Tudor–Stuart era was Edward Forset (c.1553–1630), a playwright, owner of the manor of Tyburn, a justice of the peace and MP. Forset’s *magnum opus* was *A Comparative Discourse of the Bodies Natural and Politic* (1606), whose very title reeks of the argument by correspondence and the political philosophy of order. At some points, Forset came close to saying that a monarch could *never* harm his people: in other words, however evil his deeds may *seem*, they must *really* be good, virtually by definition. Indeed, at one point, Forset came close to the justification of a king’s acts by mystery and power as in the Book of Job. Thus, as Professor Greenleaf puts it in his discussion of Forset’s doc-

trine: ‘the seemingly evil acts of a ruler were only an appearance the real nature of which was misconstrued by the fallible minds of the citizens’.¹ The strong implication, of course, is that the mind of the monarch, in contrast to that of the lowly citizen, is *infallible*.

Probably the most intelligent and surely the most influential of the absolutist order-theorists in seventeenth century England was Sir Robert Filmer (1588–1653). Towards the end of his life, this obscure Kentish nobleman published a series of royal absolutist essays in the late 1640s and early 1650s. Then, three decades later, a Filmer revival took place, his collected essays being published in 1679 and his most famous work, *Patriarcha or the Natural Power of Kings*, written in the late 1630s or early 1640s, was printed for the first time the following year. Filmer immediately and posthumously became the leading defender of royal absolutism from the older perspective of order theory.

Filmer angrily rejected the idea that ‘by law of nature all men are born free’ as ‘heathen’ doctrine. Linking individualism and self-direction to sinful rebellion against God, Filmer warned against the ‘very desire for freedom which caused Adam’s fall from grace’.²

Most notable in Filmer was his searching critique of the rising contractarian doctrine, which laid the foundation of, and therefore justified, the state in some original social contract. Thomas Hobbes (1588–1679) had spent all his life in service as a tutor, companion, and intellectual guide to the Cavendishes, who were related to the royal Stuart family. Hobbes had worked out a contractarian justification for royal absolutism during the 1640s.

Filmer spotted crucial flaws in Hobbes’s social contract theory which were to apply just as fully to John Locke’s libertarian version four decades later:

Filmer asked how likely it was,...that all men would agree to a contract, as was necessary before it could become universally binding; he wanted to know how and why a contract should bind all subsequent generations; he suggested it was unreasonable to invoke the specious notion of tacit consent...³

Filmer also trenchantly criticized the growing classical liberal idea of grounding government in the consent of the governed. Governments, he pointed out, could not then be stable, for governments could sometimes find that consent to be withdrawn. Once concede the power of the people to consent as well as the natural law of ‘equal freedom from subjection’, and the logical consequence must be anarchism. For then

every petty company hath a right to make a kingdom by itself; and not only every city, but every village, and every family, nay, every particular man, a liberty to choose himself to be his own King if he please; and he were a madman that being by nature free, would choose any man but himself to be his own governor. Thus to avoid the having but of one King of the whole world, we shall run into a liberty of

having as many Kings as there be men in the world, which upon the matter, is to have no king at all, but to leave all men to their natural liberty.⁴

It should be noted that Filmer and other absolutists of the era found great inspiration in the French theorist Jean Bodin, who has been called the political writer most favourably and most often cited in England during the first half of the seventeenth century.

10.2 Sir Thomas Smith: mercantilist for sound money

The honour – if that be the proper term – of being the first English mercantilist writer should have gone, for four centuries, to Sir Thomas Smith the Elder (1513–77). Instead, his remarkable work, *A Discourse on the Commonwealth of this Realm of England*, written in 1549 and published anonymously in 1581, was at first unidentified, and since its 1893 reprint has been incorrectly attributed to another Tudor official, John Hales (d. 1571).

Thomas Smith was born into a poor family of small shepherds in the county of Essex. Impoverished but brilliant, Smith managed to enter Cambridge, where his scholarly abilities were soon recognized. There he rose to become Regius professor of civil law, and then vice-chancellor of the university. Smith was a notable orator and a learned and brilliant polymath, who wrote books on Greek pronunciation and English spelling, and was deeply interested in mathematics, chemistry, linguistics and history.

Smith embarked on a career as politician and bureaucrat by becoming a secretary under the protectorate of Lord Somerset, from 1547 to 1549. Though an Anglican, Smith was a moderate who cared little for religious matters, so he was able to serve as Privy Councillor under Catholic Queen Mary, on the recommendation of his old Cambridge colleague, the Catholic Bishop Stephen Gardiner. Under Queen Elizabeth, his influence continued through the powerful position at court of his old Cambridge student, Sir William Cecil, later Lord Burghley. Smith, however, was often out of power, a fate helped by his arrogant, boorish and feisty personality.

Thomas Smith was a bitter critic of debasement, and he therefore became a vocal opponent of his mentor, Lord Somerset's, policy of repeated debasement in order to acquire increased revenue for the Crown. Sent into exile from the court in 1549, Smith brooded and then did what was characteristic of him: marshalled and wrote down his thoughts in the form of a treatise. This penetrating, lively work was written in the form of a dialogue among several characters, with The Doctor being the spokesman for the author's own views. Later Smith was to repeat the dialogue form in his book, *Dialogue on the Queen's Marriage* (1561). The former work was not meant for publication, Smith noting in the tract that 'it is dangerous to meddle in the king's matters', as indeed it was.

The basic thrust of the *Discourse on the Commonwealth* was an attack on debasement, and its consequences in high prices, inflation and social unrest. Debasement, and not the arbitrary decision of farmers or merchants, is responsible for higher prices. The principal losers from this policy are people on fixed incomes. The *Discourse* was published after Sir Thomas's death by his nephew William; included are later passages, interpolated by Thomas during the 1570s, attributing the Elizabethan inflation of the later sixteenth century to another factor: the influx of newly mined specie from the western hemisphere. It is not known whether Smith was familiar with the similar Navarrus analysis of 1556, or the Bodin analysis of French inflation 12 years later, or whether this was Smith's independent discovery as price inflation moved from Spain northwards into Europe.

In 1562, Smith returned to the debasement theme, in a lengthy work, still unpublished, 'The Wages of a Roman Footsoldier, or A Treatise on the Money of the Romans'. This treatise on Roman money and coinage was written in answer to a question posed to him by his friend and colleague Cecil, at this point Queen Elizabeth's principal secretary. Again, Smith returns to his attack on debasement as evidence of 'the decay of the state', and as a cause of 'excessive prices'.

In both the *Discourse* and the 'Treatise' Smith took the convenient if fallacious position that the king himself is the greatest loser from the high prices caused by debasement. Since debasement adds to the king's revenue immediately and before prices have had a chance to rise, the king, on the contrary, is the prime beneficiary of debasement and other measures of monetary inflation.

Smith's *Discourse* is strikingly modern in frankly grounding its social analysis in the individual's drive for his own self-interest. Self-interest, Smith declared, is 'a natural fact of human life to be channelled by constructive policy rather than thwarted by repressive legislation'. Not that Smith abandons nascent mercantilism for any sort of liberal or *laissez-faire* outlook. Self-interest is not to be left alone within a property rights framework. It is to be channelled and directed by government to a 'common goal' set by the state. But at least Smith was wise enough to point out that it is better for men to be 'provoked with lucre' towards proper goals than to have governments 'take this reward from them'. In short, government should work in tandem with the powerful incentive provided by individual self-interest.

Smith sees that economic incentives are always at work in the market to move economic resources out of less profitable, and into more profitable, uses. And governments should work with such incentives, rather than against them.

Smith, however, was assuredly a mercantilist, as seen by his desire to foster the manufacture of woollen cloth within England, and his desire to prohibit the export of raw wool to be manufactured abroad.

John Hales came from a prominent Kentish family, and was a friend and fellow Tudor official of Smith. Yet his economic and social philosophy was very different. In 1549, for example, the year that Smith's *Discourse* was written (and which included an attack on new taxes on manufactured cloth) Hales was the very person responsible for instituting the tax. Hales also disliked two favourite themes of the *Discourse*: love for the civil law, and admiration for sheep farming. Hales, furthermore, far from being indifferent to religion, was a deacon and a dedicated organizer of Bible readings.

Most important in any contrast between Hales and the author of the *Discourse*, Hales attributed the high prices, not to debasement, but to three very different supply-side factors: scarcity of cattle and poultry; speculation; and excessively high taxes. None of these factors in truth can account for any general price increase.

Finally, Hales took the old-fashioned moral position of attributing all ills, including high prices, to man's all-pervasive greed. (Why greed should have *increased* rapidly in recent years to account for high prices was of course a problem that was not even addressed.) Greed and the desire for profit were the great social evils. The only cure for all this, opined Hales, was to purge man of self-love: 'To remove the self love that is in many men, to take away the inordinate desire of riches wherewith many be cumbered, to expel and quench the insatiable thirst of ungodly greediness, wherewith they be diseased...' and to replace this 'diseased' self-love by a twin other-love of Church-and-state: 'to make us know and remember that we all...be but members of one body mystical of our Saviour Christ and of the body of the realm'.

Again, in his *Defence*, written the same year as the *Discourse*, John Hales expressly denies that self-love can be in any sense the foundation of the public good: 'It may not be lawful for everyman to use his own as he listeth, but everyman must use that he hath to the most benefit of his country. There must be something devised to quench the insatiable thirst of greediness of men, covetousness must be weeded out by the roots, for it is the destruction of all good things'.

Sir Thomas Smith was responsible, rather than his associate Sir Thomas Gresham (c.1519–79), for the first expression of 'Gresham's law' in England. Until recently, it had been thought that the well-known and anonymous *Memorandum for the Understanding of the Exchange* had been submitted by Gresham to Queen Elizabeth early in her reign in 1559. It now turns out, however, that the *Memorandum* was written by Smith early in Queen Mary's reign, in 1554. The *Memorandum* was certainly not a free market tract, advocating as it did various state controls over the foreign exchange market. It did, however, not only denounce debasement and call for a high-valued currency, but it also enunciated 'Gresham's law' that the cause of a shortage of gold coin in England was the legal undervaluation of gold.

Gresham, fiscal agent of the Crown in Antwerp, himself adhered to ‘Gresham’s law’, which was set forth by the royal commission of 1560 that he heavily influenced. Gresham was also a full-fledged statist and architect of Tudor monopoly privilege. A member of the monopoly wool cloth export company, the Merchant Adventurers, Gresham was the chief architect of England’s tightening of that monopoly during the 1550s and 1560s: banning Hanseatic merchants from exporting English cloth, increasing tariffs on foreign cloth and, finally, making the Adventurers far more oligarchic and tightly controlled from the top.

Influenced greatly by the *Memorandum*, and echoing its Gresham’s law position, was the younger Sir Richard Martin (1534–1617), goldsmith, warden and master of the Mint during all of Queen Elizabeth’s reign. Trained as a goldsmith from youth, Martin also served as prime warden of the Worshipful Company of Goldsmiths, alderman of London for many years and was twice Lord Mayor. In the royal commission of 1576 on currency and the exchanges, whose members were hand-picked by Sir Thomas Smith, then principal secretary to the queen, Gresham and Martin, as well as Cecil, were all included. The commission did not include Smith himself, who had fallen ill. Their backing of Gresham’s law was echoed a generation later by the royal commission of 1600, on which Martin served, and prepared the principal memoranda.

10.3 The ‘economic liberalism’ of Sir Edward Coke

It used to be held that the famous ‘anti-monopoly’ common law decisions of Chief Justice Sir Edward Coke (1552–1634), the eminent early seventeenth century jurist, were an expression of the alleged commitment of a rising class of puritan merchants to economic liberalism and *laissez-faire*. A particularly prominent advocate of this thesis is the prolific English Marxist historian, Christopher Hill, who needs this view to fit into the Marxian schema of the English Civil War.

It turns out, however, that there are many grave flaws in this thesis. Coke himself was a moderate Anglican, and not particularly concerned with religious issues. He was also not in any sense a merchant or a spokesman for merchants; he was a country gentleman from Norfolk who successively married two heiresses, and spent most of his career as a government lawyer, successively attorney-general and chief justice. Also, Coke showed no interest whatever in the new juristic concerns of merchants: such new branches of the law as joint-stock ownership, insurance bankruptcy, negotiable instruments and commercial contracts.

More important, Coke never displayed any sympathy for *laissez-faire*. As an MP, Coke supported many mercantilist measures. Furthermore, he had imbibed from his close associate, William Cecil, Lord Burghley, an admiration for the elaborate Tudor structure of state controls. His approach to

foreign trade was profoundly mercantilist. Thus, in the 1621 session of Parliament, after he had broken with the Crown, Coke deplored the economic effects of the alleged scarcity of coin. He attacked the unfavourable balance of trade, deplored the fact that the East India Company was allowed to export bullion, and attacked the import trade with France as introducing into England immoral luxury items, such as ‘wines and lace, and such like trifles’. Coke also called for outlawing the importation of tobacco from Spain.

Coke also tried his best to cripple the new practice of exporting unfinished cloth to the Continent and then re-importing the finished cloth. He consistently advocated prohibiting the importation of foreign cloths, as well as the export of unfinished cloth, and also tried to outlaw the export of raw wool to be used by foreign manufactures.

In general, Sir Edward Coke had no quarrel with government regulation and control of trade, or with the creation of monopolies; what he objected to was the *king* doing the regulating or monopolizing, rather than Parliament. Coke favoured the detailed regulation and cartellization of industry, the wage controls, and compulsory employment, imposed by the Statute of Artificers of 1563. He supported the laws against ‘forestalling and engrossing’ which, under the guise of attacks on monopoly and high prices, were actually price-raising and cartellizing devices prohibiting speculation in food products and prohibiting sales outside officially designated local ‘markets’. Laws against forestalling were lobbied for by privileged owners of local markets trying to exclude competitors and to raise their own prices.

Most important, Coke’s well-known opposition to government-granted monopolies was merely an opposition to grants by the king rather than to grants by parliament. Thus, in the famous Statute of Monopolies, passed in 1623 and drafted largely by Coke, Parliament abolished royal grants of monopoly privilege, but explicitly reserved to itself the right to grant such privileges, which it soon proceeded to do. The statute also specifically exempted from abolition large categories of royal monopoly, including such industries as printing, gunpowder and saltpetre, the rights of ‘corporations’ such as London to prevent non-Londoners from engaging in trade within the city limits, or monopoly corporations engaged in foreign trade. Furthermore, Coke personally favoured the monopoly Russia, Virginia, and East India Companies.

Coke’s legal-economic philosophy might be summed up in a phrase he used in Parliament, in 1621: ‘That no Commodity can be banished, but by Act of Parliament’.⁵

10.4 The ‘bullionist’ attack on foreign exchange, and on the East India trade

Having survived the assaults of ignorant moralists before the Reformation, the foreign exchange market was subjected, during the far more secular age

of the late sixteenth century onwards, to the assaults of regulators on behalf of the nation-state. Writers who have been misnamed 'bullionists' adopted the ignorant view that an outflow of gold or silver bullion abroad was iniquitous, and that this calamity was brought about by the machinations of evil foreign exchange dealers, who deliberately sought gain by depreciating the value of the nation's currency. Nowhere was there any insight that the outflow of bullion might have been performing an economic function, or was the result of underlying supply and demand forces. Despite their insights into Gresham's law and debasement, Thomas Smith and Gresham would have to be placed in the 'bullionist' category. The policy conclusion of the bullionists was all too simple: the state should outlaw the export of bullion and should severely regulate or even nationalize the foreign exchange market.

The exchange dealers battled back, with sensible and powerful arguments. Thus in 1576 they argued, in a 'Protest against the State Control of Exchange Business', that state intervention would cause a drying up of commerce. On the low value of the English pound, they replied that 'we can say nothing but that our exchanges are made with a mutual consent between merchant and merchant, and that abundance of the deliveries or of the takers make the exchange rise and fall'.

One prominent bullionist of the early seventeenth century was Thomas Milles (c.1550–c.1627). In a series of tracts from 1601 to 1611, Milles advances the old bullionist position. Foreign exchange transactions, Milles opined, were evil; they were institutions with which private merchants and bankers, 'covetous persons (whose end is private gain)', rule in the place of kings. Something new, however, had been added. For the powerful East India Company had been chartered in 1600, to monopolize all trade with the Far East and the Indies. The East India trade was unique in that Europeans purchased a great deal of valuable muslins and spices, but the Indies in turn bought very little from Europe except gold and silver. European nations, therefore, had an 'unfavourable balance of trade' with the Far East, and the India trade therefore quickly became a favourite target for mercantilist writers. Not only were goods being imported from the East as against few exports, but specie, bullion, seemed to flow eternally eastwards. Milles therefore took up the bullionist cudgels by calling for restriction or prohibition of the Indies trade, and attacking the activities of the East India Company.

Milles was also eager to intensify regulations against the Merchant Adventurers, the governmentally privileged monopoly for the export of woollen cloth to the Netherlands. Instead, he craved a return to the old privileged raw wool export monopoly of the Merchant Staple. In fact, Milles went so far as to call the old regulated Staple trade the 'first step towards heaven'.

It is certainly likely that Milles's eagerness to regulate and prohibit foreign trade and bullion flows was connected with his own occupation as customs

official. The more regulation, the more work and power for Thomas Milles.

Stung to the quick, the secretary of the Merchant Adventurers, John Wheeler (c.1553–1611) replied to Milles's charges in his *Treatise of Commerce*, in 1601. Wheeler upheld the 'orderly competition' of the 3500 merchant members joined together in the privileged monopoly, as against the unorganized, dispersed, 'straggling and promiscuous trade' of free competition. He also engaged in semantic trickery by asserting that monopoly by definition means only 'single seller'; hundreds of merchants linked together into a privileged export company were able, after all, to act virtually as one privileged firm. In Wheeler's own words, these merchants were 'united and held together by their good government and by their politic and merchantlike orders' – backed up, we must not forget, by the armed might of the state. Sneering at the idea of free competition, Wheeler smugly opined that any merchant who loses a little liberty will be better off 'being restrained...in that estate, than if he were left to his own greedy appetite'. When John Kayll, over a decade later in *The Trades Increase* (1615), protested that the monopoly of the Merchant Adventurers would 'unjustly keep others out forever', his pamphlet was suppressed by the archbishop of Canterbury and he earned a stint in jail for his pains.⁶

Later, in the 1650s, Thomas Violet had a Milles-type motive for special pleading in his call for prohibition of the export of bullion. Violet had been a professional 'searcher' and government informer seeking out violations of the law prohibiting the export of bullion. Now, in *A True discoverie to the commons of England* (1651), he sought to reinstate that good old law, and he accompanied his call for reinstatement of bullion prohibition with a request that he himself be employed once again to seek out violators. To the embarrassing fact that he, Violet, had himself been convicted and punished for violating these very provisions, he countered with a ready quip, 'an old deer-stealer is the best keeper of a park'.

The most distinguished bullionist of the early seventeenth century was Gerard de Malyne (d.1641). Malyne was a Fleming born in Antwerp to the prominent van Mechelen family, probably changing his name to Malyne when he emigrated to London in the 1580s (perhaps in response to the Spanish persecution of Protestants in the Netherlands in that era). Malyne was listed as an alien in the records of that period, and as a member of the 'Dutch' Protestant Church. He is also depicted in the records as a 'merchant stranger', that is, as a merchant from abroad.

Malyne turned out to be a speculator and an unscrupulous, even crooked, businessman, embezzling money from his Dutch business associates. He was often on the verge of bankruptcy, and his partner and father-in-law, the Antwerp-born Willem Vermuyden, died in debtors' prison. Malyne, nonetheless, was a linguist, and highly educated scholar, deeply interested in

literature, the Latin language, mathematics and classical Greek philosophy. He was also well versed in scholastic doctrine.

A member of a royal commission of 1600 to study economic problems, Malynes began his bullionist writings in 1601, in particular *A Treatise on the Canker of England's Commonwealth*, and published many tracts on into the 1620s. Like Gresham and the sixteenth century bullionists, Malynes fulminated against the foreign exchange dealers, asserting superficially and incorrectly that exchange rates were set by wilful conspiracies of exchange dealers. Malynes was more rigorous than previous bullionists; instead of institutions to control exchange dealings, he advocated a government 'bank' which would enjoy a monopoly on all foreign exchange transactions.

Intertwined with his star-crossed business career was Malynes's service in government, becoming at various times a top bureaucrat at the Royal Mint and a financial adviser to the Crown. Malynes also had a personal stake in the revival of rigorous exchange control, for he himself eagerly anticipated filling the resurrected post of royal exchanger. To Malynes, there was a 'just' exchange rate at the legal par, and the government's task was to enforce it.

In an earlier tract in 1601, *Saint George for England Allegorically Described*, Malynes, harking back to an old theme, denounced foreign exchange dealings as 'usury', and expressed the hope that by tight control this usury could die a gradual death.

To advocate rigorous exchange control, Malynes of course had to deny that the foreign exchange market could in any way equilibrate or regulate itself, or that exchange rates were set by supply and demand forces. To Malynes goes the dubious credit for the emergence of the spurious and pernicious 'terms-of-trade' fallacy. This doctrine argues that a balance of trade deficit and export of bullion will not regulate itself. For higher foreign exchange rates and cheaper domestic currency, will *not*, as one might believe, spur exports and retard imports. Instead, the 'unfavourable' terms of trade of, say, the pound in terms of foreign currency will lead to even more imports and fewer exports, thus driving more bullion out of the country. Even if a cheaper pound will bring in less foreign exchange revenue (a highly unlikely event seen more often in armchair speculation than in practice), one wonders where the English would continue to find either foreign currency or specie to pay for the higher-priced foreign products. Surely the specie would eventually run out, and for that reason alone, *some* market mechanism would have to come into play to restrict foreign imports or the export of specie.

Thus Malynes managed to take the absurd position that, *whatever* happens in the foreign exchange market, specie will keep flowing out of England. Flowing out if the pound should be expensive, since this will restrict exports and encourage imports (a correct insight), but *also* flowing out if the reverse happens, because of the 'terms-of-trade' argument. The specie outflow was

therefore blamed on the metaphysical malevolence of the exchange dealers, and it could only be cured by severe government control, including prohibition of the export of bullion. Malyne saw no problem of specie outflow from such a marked appreciation of the currency. In fact, he hailed the higher domestic prices that would supposedly draw *more* specie into the country.

In a similar bizarre twist, Malyne, correctly noting that the inflationary influx of specie from the New World had hit the other countries of Western Europe before coming into England, yet concluded that this was a terrible event for England. For instead of realizing that lower prices made English goods more competitive abroad, Malyne concluded that these 'unfavourable terms of trade' put England into a poor competitive position and led to a permanent outflow of specie.

In view of his record in propounding tissues of egregious fallacies, it is curious that Malyne has had a good press among historians of economic thought, even among those who disagree with his basic outlook. They seem to laud him for recognizing that prices vary directly with the quantity of money, so that a country losing gold will find its prices falling, whereas a country accumulating gold will see its prices rise. But Malyne, eager to indict the workings of international prices and exchanges rather than explain how they work, was scarcely willing to develop the full implication of his occasional insights. Furthermore, considering that this 'quantity theory' had long been known, and developed and integrated for centuries, by the Spanish scholastics, Bodin, and others, Malyne's achievements seem dubious at best.

10.5 The East India apologists strike back

England suffered a severe recession in the early 1620s, and Gerard Malyne returned to the attack, publishing a series of tracts repeating his well-known views, and calling for stringent measures to curb the Merchant Adventurers and especially the East India Company, as well as any other traders who dared to export bullion from the kingdom. His influence was bolstered by having been a member of the royal commission on the exchanges in 1621.

Taking up the torch in defence of the Merchant Adventurers was one of its members, Edward Misselden (d. 1654). In a tract entitled *Free Trade or the Means to Make Trade Flourish* (1622), following service on a Privy Council committee of inquiry on the depression of trade, Misselden advanced somewhat beyond Malyne's analysis. He acknowledged that bullion was exported from England, not due to the machinations of wicked exchange dealers, but from imports exceeding exports, from what would later be called an 'unfa-