

Furthermore, pervasive maximum wage controls discouraged workers from moving or, in particular, entering industry, and tended to keep workers on the farm. Apprenticeship requirements of three or four years greatly restricted labour mobility and prevented entrance into crafts. Each master was limited to one or two apprentices, thereby preventing the growth of any single firm.

Before Colbert, most French revenue came from taxation, but grants of monopoly proliferated so much during the Colbert regime to try to pay for swelling expenditures, that monopoly grant revenue came to more than one-half of all state income.

Most onerous and strictly enforced was the government's salt monopoly. Salt producers were required to sell all salt produced to certain royal store-houses at fixed prices. The consumers were then forced to purchase salt and, to expand state income and deprive smugglers of revenue, to purchase a fixed amount at four times the free market price and divide it among the inhabitants.

Despite the enormous increase in monopoly grant revenue, taxes rose greatly in France as well. The land tax, or *taille réelle*, was the single largest source of revenue for the state, and in the early part of his regime, Colbert tried to expand the burden of the *taille* still further. But the *taille* was hampered by a network of exemptions, especially including all the nobility. Colbert tried his best to spy on the exempt, to ferret out 'false' nobles, and to stop the network of bribes of the tax-collectors. An attempt to lower the *taille* slightly and greatly to increase the *aides* – indirect internal taxes at wholesale and retail, particularly on beverages – came a cropper on the bribery and corruption of the tax farmers. And then there was the *gabelle* (tax on salt), revenue from which rose tenfold in real terms between the early sixteenth and mid-seventeenth centuries. During the Colbert era, *gabelle* revenues rose not so much from an increase in tax rates as from the tightening of enforcement of the existing steep taxes.

The land and consumption taxes fell heavily upon the poor and upon the middle class, gravely crippling saving and investment, especially, as we have seen, in the mass-production industries. The parlous state of the French economy may be seen by the fact that, in 1640, just as King Charles I of England was facing a successful revolution largely brought about by his imposition of high taxes, the French Crown was collecting three to four times as much taxes per capita as did King Charles.

As a result of all these factors, even though the population of France was six times that of England during the sixteenth century, and its early industrial development had seemed promising, French absolutism and strictly enforced mercantilism managed to put that country out of the running as a leading nation in industrial or economic growth.

7.4 Mercantilism in England: textiles and monopolies

It was in the sixteenth century that England began its meteoric rise to the top of the economic and industrial heap. The English Crown in effect tried its best to hobble this development by mercantilist laws and regulations, but was thwarted because for various reasons the interventionist edicts proved unenforceable.

Raw wool had for several centuries been England's most important product, and hence its most important export. Wool was shipped largely to Flanders and to Florence to be made into fine cloth. By the early fourteenth century, the flourishing wool trade had reached a height of an average annual export of 35 000 sacks. The state naturally then entered the picture, taxing, regulating and restricting. The principal fiscal weapon to build the nation-state in England was the 'poundage', a tax on the export of wool and a tariff on the import of woollen cloth. The poundage kept increasing to pay for continuing wars. In the 1340s King Edward III granted the monopoly of wool exporting to small groups of merchants, in return for their agreeing to collect the wool taxes on the king's behalf. This monopoly grant served to put out of business Italian and other foreign merchants who had predominated in the wool export trade.

By the 1350s, however, these monopoly merchants had gone bankrupt, and King Edward finally resolved the issue by widening the monopoly privilege and extending it to a group of several hundred called the 'Merchants of the Staple'. All wool exported had to go through a fixed town under the auspices of the company of the Staple, and be exported to a fixed point on the Continent, by the end of the fourteenth century at Calais, then under English control. The monopoly of the Staple did not apply to Italy, but it did apply to Flanders, the major place of import for English wool.

The Merchants of the Staple soon proceeded to use their privileged monopoly in the time-honoured manner of all monopolists: to force lower prices upon English wool growers, and higher prices upon Calais and Flemish importers. In the short run, this system was quite pleasant for the Staplers, who were able to more than recoup their payments to the king, but in the long run the great English wool trade was crippled beyond repair. The artificial gap between domestic and foreign wool prices discouraged the production of English wool, while it also injured the demand for wool abroad. By the mid-fifteenth century, average annual exports of wool had fallen greatly to only 8 000 sacks.

The only benefit to Englishmen from this disastrous policy (apart from the joint short-term gains to King Edward and to the Staplers) was to give an unintended boost to the English production of woollen cloth. English cloth-makers could now benefit from their artificially lower prices of wool in England, coupled with the artificially high prices of wool abroad. Once

again, the market managed to get a leg-up in its unending, zig-zag struggle with power. By the mid-fifteenth century fine, expensive, broadcloth 'woollens' were being produced abundantly in England, centring in the West Country, where swift rivers made water plentiful for fulling the woven cloth, and where Bristol could serve as the major port of export and entry.

During the mid-sixteenth century, a new form of woollen cloth manufacture sprang up in England, soon to become dominant in the textile industry. This was the 'new draperies', or worsteds, cheaper and lighter-weight cloth that could be exported to warmer climates and far more suitable for dyeing and decoration, since each individual strand of yarn was now visible in the cloth. Since the worsted was not fulled, the draperies did not need to be situated near running water, and so new textile manufacturers and workshops sprang up in the countryside – and in new towns such as Norwich and Rye – all round London. London was the largest market for the cloths, so transportation costs were now cheaper, and furthermore, the south-east was a centre for sheep bearing the coarse, long stapled wool particularly suitable for worsted production. The new rural firms around London were also able to hire skilled Protestant textile artisans who had fled the religious persecution in France and the Netherlands. Most important, going to the countryside or to new towns meant that the expanding and innovating textile industry could escape from the stifling guild restrictions and frozen technology of the old towns.

Now that over 100 000 cloths were exported annually compared to a few thousand two centuries earlier, sophisticated production and marketing innovations took place. Establishing a 'putting-out' system, merchants paid artisans by the piece to work on cloth owned by the former. In addition, marketing middlemen sprang up, yarn brokers serving as middlemen between spinners and weavers, and drapers specializing in selling the cloth at the end of the production chain.

Seeing the rise of effective new competition, the older urban and broadcloth artisans and manufacturers turned to the state apparatus to try to shackle the efficient upstarts.

As Professor Miskimin puts it: 'As often happens during an evolutionary period, the older, vested interests turned to the state for protection against the innovative elements within the industry and sought regulation that would preserve their traditional monopoly.'⁵

In response, the English government passed the Weavers' Act in 1555, which drastically limited the number of looms per establishment outside the towns to only one or two. Numerous exemptions, however, vitiated the effect of the act, and other statutes placing maximum controls on wages, restricting competition in order to preserve the old broadcloth industry came to naught from systemic lack of enforcement. The English government then turned to

the alternative of propping up and tightening the urban guild structure to exclude competition. These measures succeeded, however, only in isolating and hastening the decay of the old urban broadcloth firms. For the new rural firms, especially the new draperies, were beyond guild jurisdiction. Queen Elizabeth then went national, with the Statute of Artificers in 1563, which placed the nation-state squarely behind guild power. The number of apprentices each master could employ was severely limited, a measure calculated to stifle the growth of any one firm, and to decisively cartelize the wool industry and cripple competition. The number of years of apprenticeship, before the apprentice could rise to become a master, was universally extended by the statute to seven years, and maximum wage rates for apprenticeships were imposed throughout England. Beneficiaries of the Statute of Artificers were not only the old, inefficient urban broadcloth guilds, but also the large landlords, who had been losing rural workers to the new, high-paying clothing industry. One announced aim of the Statute of Artificers was compulsory full employment, with labour directed to work according to a system of 'priorities'; top priority was accorded to the state, which attempted to force workers to remain in rural and farm work and not leave the farm for glittering opportunities elsewhere. To enter commercial or professional fields, on the other hand, required a graded series of qualifications such that the occupations were happy in having entry restricted by this cartelizing statute, while the landlords were delighted to have workers forced to remain on the farm at lower wages than they could achieve elsewhere.

If the Statute of Artificers had been strictly enforced, industrial growth might have been permanently arrested in England. But fortunately, England was far more anarchic than France, and the statute was not well enforced, particularly where it counted, in the new and fast-growing worsted industry.

Not only was the countryside beyond the grasp of the urban guilds and their nation-state ally, but so too was fast-growing London, where custom decreed that any guild member could engage in any sort of trade, and no guild could exercise restrictive control over any line of production.

London as the great export centre for the new draperies – largely to Antwerp – partially accounted for the enormous growth of this city during the sixteenth century. London's population grew at three times the rate of England as a whole over the century, specifically from 30–40 000 at the beginning of the sixteenth century to a quarter of a million early in the next.

The London merchants were not, however, content with free market development, and power began to move in on the market. Specifically, the London merchants began to reach for export monopoly. In 1486 the City of London created the Fellowship of the Merchant Adventurers of London, which claimed exclusive rights to the export of woollens to its members. For provincial merchants (outside of London) to join required a stiff fee. Eleven years later

the king and parliament decreed that any merchant exporting to the Netherlands had to pay a fee to the Merchant Adventurers and obey its restrictionist regulations.

The state tightened the monopoly of the Merchant Adventurers in the mid-sixteenth century. First in 1552, the Hanseatic merchants were deprived of their ancient rights to export cloth to the Netherlands. Five years later, customs duties were raised on the import of cloth, thereby conferring more special privileges on the domestic cloth trade and increasing the financial ties of the Crown to the cloth merchants. And finally, in 1564, in Queen Elizabeth's reign, the Merchant Adventurers were reconstituted under tighter and more oligarchic control.

In the late sixteenth century, however, the mighty Merchant Adventurers began to decline. The English war with Spain and the Spanish Netherlands lost the Adventurers the city of Antwerp, and at the turn of the seventeenth century, they were formally expelled from Germany. The English monopoly of woollen exports to the Netherlands and the German coast was finally abolished after the revolution of 1688.

It is instructive to note what happened to printed calico in England as compared to the suppression of the industry in France. The powerful woollen industry managed to get the importation of calicoes banned from England in 1700, a decade or so after France, but in this case domestic manufacture was still permitted. As a result, domestic manufactures of calico spurted ahead, and when the woollen interests managed to get a prohibition of calico consumption act passed in 1720 (The Calico Act), the domestic calico industry was already powerful and could continue to export its wares. In the meanwhile, calico smuggling continued, as did domestic use – all stimulated by the fact that prohibition was not enforced nearly as strictly in England as in France. Then, in 1735, the English cotton industry won an exemption for the domestic printing and use of 'fustians', a mixed cotton and linen cloth, which were the most popular form of calico in England in any case. As a result, the domestic cotton textile industry was able to grow and flourish in England throughout the eighteenth century.

Prominent in English mercantilism was the pervasive creation by the Crown of grants of monopoly privilege: exclusive power to produce and sell in domestic and in foreign trade. The creation of monopolies reached its climax in the reign of Queen Elizabeth (1558–1603), in the latter half of the sixteenth century. In the words of historian, Professor S.T. Bindoff: '...the restrictive principle had, like some giant squid, fastened its embracing tentacles round many branches of domestic trade and manufacture', and 'in the last decade of Elizabeth's reign scarcely an article in common use – coal, soap, starch, iron, leather, books, wine, fruit – was unaffected by patents of monopoly'.⁶

In sparkling prose, Bindoff writes how lobbyists, using the lure of monetary gain, obtained royal courtiers to sponsor their petitions for grants of monopoly: ‘their sponsorship was usually a mere episode in the great game of place-and-fortune-hunting which swayed and swirled incessantly around the steps of the throne’. Once granted their privileges, the monopolists got themselves armed by the state with powers of search-and-seizure to root out all instances of now illegal competition. As Bindoff writes:

The ‘saltpetre men of the gunpowder contract dug in every man’s house’ for the nitrate-laden soil which was their raw material. The minions of the playing-card monopoly invaded shops in search of cards lacking its seal and browbeat their owners, under threat of summons to a distant court, into compounding for their offences. The search-warrant was, indeed, indispensable to the monopolist if he were to eliminate competition and leave himself free to fix the price of his wares.⁷

The result of this expulsion of competition, as we might expect, was the lowering of quality and the raising of price, sometimes by as much as 400 per cent.

England was pre-eminently the home of foreign trade companies receiving grants of monopoly for trade with portions of the globe. The granddaddy of the English foreign trade companies was the Muscovy Company, chartered in 1553, and granted a monopoly of all English trade with Russia and Asia through the White Sea port of Archangel. In the late 1570s and early 1580s, Queen Elizabeth granted trading privileges to a spate of new monopoly companies including the Barbary, Eastland, and Levant Companies. A small group of politically powerful men, centred originally in the Muscovy Company, was at the core of every one of these monopoly companies. The Muscovy Company, for a while, held a monopoly on all exploration and trade with North America. Further, when in the 1580s the Muscovy Company’s trade with Russia was severely injured by the Cossacks’ disruption of the Volga trade route from Asia, Muscovy Company leaders formed both the Turkey Company and the Venice Company in 1581 for trading with India. The two companies merged in 1592 into the Levant Company, which enjoyed a monopoly grant trade with India through the Levant and Persia.

Running like a powerful thread through all these interlocking monopoly companies was the person and the family of Sir Thomas Smith (1558–1625). Smith’s grandfather, Andrew Judd, was a principal founder of the Muscovy Company. His father, Sir Thomas Smith, Sr (1514–77), attorney, had been an architect of the Tudor system of royal absolutism, high taxation, and economic restriction. By the 1590s, the junior Smith was the governor – the head – of literally every single monopoly company concerned with foreign trade and colonization. These included the Muscovy Company, which held the monopoly charter for the colonization of Virginia. But the climax of Smith’s

career came when, to all his other posts, was added governor of the mighty East India Company, chartered in 1600 with a monopoly of all trading to the East Indies.

7.5 Enserfdom in eastern Europe

What happened in eastern Europe was even worse than mercantilism. There, absolutism by the kings and the feudal nobility was so rampant and unchecked that they decided to crush nascent capitalism. Former serfs, now free, had been moving from the rural lands to the towns and cities, there to work for higher wages and better opportunities in emerging capitalist production and industry. By the beginning of the fifteenth century, eastern Europe, specifically Prussia, Poland and Lithuania, had a freed peasantry. Towns and monetary exchange flourished, and clothmaking and manufacturing grew and prospered. In the sixteenth century, however, the state and the nobility of eastern Europe reasserted themselves and re-ensered the peasantry. In particular, a rise in the price of grain (mainly rye) in Europe in the early sixteenth century made grain farming more profitable, spurring the socializing of cheap labour in service of the noble landlords. The peasants were forced back on to the land, and compelled to remain there, and were also coerced into *corvées* (periodic forced labour for the nobility). The peasants were forced into large manorial estates owned by the nobles, since large estates meant cheaper costs of supervising and coercing peasant labour on the part of the nobility. In addition, in Poland, the nobles induced the state to pass further laws, severely restricting the activities of urban merchants. Polish merchants now had to pay higher tolls for shipping produce on the Vistula River than did landlords, and Polish merchants were prohibited from exporting domestic products. Moreover, the repression of the formerly free peasantry greatly lowered their money income for purchasing goods. These policies combined to destroy the Polish towns, the urban economy, and the internal market for Polish goods. As Professor Miskimin writes, 'Out of self-interest the nobles successfully contrived to crush Polish economic development in order to reserve for themselves the rich grain trade and to assure adequate supplies of agricultural labor for the maximum exploitation of their estates'.⁸

In Hungary, a similar process of re-enserfment occurred, but in the service of cattle-raising and wine-growing rather than rye production. In the later Middle Ages, rents by the peasantry had been converted from payments in kind to monetary payments. Now, in the sixteenth century, the nobles markedly increased the rents and reconverted them into payments in kind. Taxes on peasants were raised substantially and the burden of forced *corvée* labour was increased greatly in one area ninefold from seven days per year to 60. The lords got themselves granted a tight monopoly of wine sales, as well as

exemptions from heavy export taxes on cattle payable by merchants. In that way, the landlords gained themselves privileged monopolies of buying and selling for the vital wine and cattle trades.

7.6 Mercantilism and inflation

The post-medieval state acquired most of its eagerly sought revenues by taxation. But the state has always been attracted by the idea of creating its own money in addition to plundering directly the wealth of its subjects. Before the invention of paper money, however, the state was limited in money creation to occasional debasements of the coinage, of which it had long managed to secure a compulsory monopoly. For debasement was a one-shot process, and could not be used, as the state would always like, to create money continually and feed it into state coffers for use in building palaces, pyramids, and other consumption goods for the state apparatus and its power élite.

The highly inflationary instrument of government paper money was first discovered in the Western world in French Quebec in 1685. Monsieur Meules, the governing *intendant* of Quebec, pressed as usual for funds, decided to augment them by dividing some playing cards into quarters, marking them with various denominations of French currency, and then using them to pay for wages and materials. This card money, later redeemed in actual specie, soon became repeatedly issued paper tickets.

The first more familiar form of government paper began five years later, in 1690, in the British colony of Massachusetts. Massachusetts had sent soldiers on one of their customary plunder expeditions against prosperous French Quebec, but this time had been beaten back. The disgruntled Massachusetts soldiery was even more irritated by the fact that their pay had always come out of their individual shares of French booty sold at auction, but that now there was no money for them to collect. The Massachusetts government, beset by demands for payment of their salary by a mutinous soldiery, was not able to borrow the money from Boston merchants, who shrewdly considered its credit rating unworthy. Finally, Massachusetts hit upon the expedient of issuing 7 000 pounds in paper notes, supposed to be redeemable in specie in a few years. Inevitably, the few years began to stretch out on the horizon, and the government, delighted with this new-found way of acquiring seemingly costless revenue, poured on the printing presses, and quickly issued 40 000 more paper pounds. Fatefully, paper money had been born.

It was to be two decades before the French government, under the influence of the fanatically inflationist Scottish theoretician John Law, turned on the taps of paper money inflation at home. The English government turned instead to a more subtle device for accomplishing the same objective: the creation of a new institution in history: a central bank.

The key to English history in the seventeenth and eighteenth centuries is the perpetual wars in which the English state was continually engaged. Wars meant gigantic financial requirements for the Crown. Before the advent of the central bank and government paper, any government not willing to tax the country for the full cost of war relied on an ever more extensive public debt. But if the public debt continues to rise, and taxes are not increased, something has to give, and the piper must be paid.

Before the seventeenth century, loans were generally made by banks, and 'banks' were institutions in which capitalists lent out funds that they had saved. There was no deposit banking; merchants who wanted a safe place to keep their surplus gold deposited them in the King's Mint in the Tower of London – an institution accustomed to storing gold. This habit, however, proved highly costly, for King Charles I, needing money shortly before the outbreak of the civil war in 1638, simply confiscated the huge sum of 200 000 pounds in gold stored at the Mint – announcing it to be a 'loan' from the depositors. Understandably shaken by their experience, merchants began depositing their gold in the coffers of private goldsmiths, who were also accustomed to the storing and safe keeping of precious metals. Soon, goldsmiths' notes began to function as private bank notes, the product of deposit banking.

The Restoration government soon needed to raise a great deal of money for wars with the Dutch. Taxes were greatly increased, and the Crown borrowed extensively from the goldsmiths. In late 1671, King Charles II asked the bankers for further large loans to finance a new fleet. Upon the goldsmiths' refusal, the king proclaimed, on 5 January 1672, a 'stop of the Exchequer', that is, a wilful refusal to pay any interest or principal on much of the outstanding public debt. Some of the 'stopped' debt was owed by the government to suppliers and pensioners, but the vast bulk was held by the victimized goldsmiths. Indeed, of the total stopped debt of 1.21 million pounds, 1.17 million was owned by the goldsmiths.

Five years later, in 1677, the Crown grudgingly began paying interest on the stopped debt. But by the time of the eviction of James II in 1688, only a little over six years of interest had been paid out of the 12 years' debt. Furthermore, the interest was paid at the arbitrary rate of 6 per cent, even though the king had originally contracted to pay interest at rates ranging from 8 to 10 per cent.

The goldsmiths were even more intensively thwarted by the new government of William and Mary, ushered in by the Glorious Revolution of 1688. The new regime simply refused to pay any interest or principal on the stopped debt. The hapless creditors took the case to court, but while the judges agreed in principle with the creditors' case, their decision was overruled by the Lord Keeper, who candidly argued that the government's financial problems must take precedence over justice and property right.

The upshot of the ‘stop’ was that the House of Commons settled the affair in 1701, decreeing that half of the capital sum of the debt be simply wiped out; and that interest on the other half begin to be paid at the end of 1705, at the remarkable rate of 3 per cent. Even that low rate was later cut to two-and-a-half.

The consequences of this declaration of bankruptcy by the king were as could be predicted: public credit was severely impaired, and financial disaster struck for the goldsmiths, whose notes were no longer acceptable to the public, and for their depositors. Most of the leading goldsmith–creditors went bankrupt by the 1680s, and many ended their lives in debtors’ prison. Private deposit banking had received a crippling blow, a blow which would only be overcome by the creation of a central bank.

The stop of the Exchequer, then, coming only two decades after the confiscation of the gold at the Mint, managed virtually to destroy at one blow private deposit banking and the government’s credit. But endless wars with France were now looming, and where would government get the money to finance them?⁹

Salvation came in the form of a group of promoters, headed by the Scot, William Paterson. Paterson approached a special committee of the House of Commons formed in early 1693 to study the problem of raising funds, and proposed a remarkable new scheme. In return for a set of important special privileges from the state, Paterson and his group would form the Bank of England, which would issue new notes, most of which would be used to finance the government’s deficit. In short, since there were not enough private savers willing to finance the deficit, Paterson and company were graciously willing to buy interest-bearing government bonds, to be paid for by newly created bank notes, carrying a raft of special privileges with them. As soon as Parliament duly chartered the Bank of England in 1694, King William himself and various MPs rushed to become shareholders of this new money-creating bonanza.

William Paterson urged the English government to grant Bank of England notes legal tender power, but this was going too far, even for the British Crown. But Parliament did give the bank the advantage of holding deposits of all government funds.

The new institution of government-privileged central banking soon demonstrated its inflationary power. The Bank of England quickly issued the enormous sum of 760 000 pounds, most of which were used to buy government debt. This issue had an immediate and substantial inflationary impact, and in two short years, the Bank of England was insolvent after a bank run, an insolvency gleefully abetted by its competitors, the private goldsmiths, who were happy to return to it the swollen Bank of England notes for redemption of specie.

At this point, the English government made a fateful decision: in May 1696, it simply allowed the bank to ‘suspend specie payment’. In short, it allowed the bank to refuse indefinitely to pay its contractual obligations to redeem its notes in gold, while at the same time continuing blithely in operation, issuing notes and enforcing payments upon its *own* debtors. The bank resumed specie payments two years later, but this act set a precedent for British and American banking from that point on. Whenever the bank inflated itself into financial trouble, the government stood ready to allow it to suspend specie payments. During the last wars with France, in the late eighteenth and early nineteenth century, the bank was allowed to suspend payments for two decades.

The same year, 1696, the Bank of England had another scare: the spectre of competition. A Tory financial group tried to establish a national land bank, to compete with the Whig-dominated central bank. The attempt failed, but the Bank of England moved quickly to induce Parliament, in 1697, to pass a law prohibiting any new corporate bank from being established in England. Any new bank would have to be either proprietary or owned by a partnership, thereby severely limiting the extent of competition with the bank. Furthermore, counterfeiting of Bank of England notes was now made punishable by death. In 1708, Parliament followed up this set of privileges by another crucial one: it now became unlawful for any corporate bank other than the Bank of England, and for any bank partnership over six persons, to issue notes. And, moreover, incorporated banks and partnerships over six were also prohibited from making any short-term loans. The Bank of England now only had to compete with tiny banks.

Thus, by the end of the seventeenth century, the states of western Europe, particularly England and France, had discovered a grand new route towards the aggrandizement of state power: revenue through inflationary creation of paper money, either by government or, more subtly, by a privileged, monopolistic, central bank. In England, private banks of deposit were inspired to proliferate (especially checking accounts) under this umbrella, and the government was at last able to expand the public debt to fight its endless wars; during the French war of 1702–13, for example it was able to finance 31 per cent of its budget via public debt.

7.7 Notes

1. Jacob Viner, *Studies in the Theory of International Trade* (New York: Harper & Bros, 1937), pp. 58–9.
2. *Ibid.*, p. 59.
3. Eli F. Heckscher, *Mercantilism* (1935, 2nd ed., New York: Macmillan, 1955) vol. I, p. 162.
4. Charles Woolsey Cole, *French Mercantilism, 1683–1700* (New York: Columbia University Press, 1943), p. 176.
5. Harry A. Miskimin, *The Economy of Later Renaissance Europe: 1460–1600* (Cambridge: Cambridge University Press, 1977), p. 92.

6. S.T. Bindoff, *Tudor England* (Baltimore: Penguin Books, 1950), p. 228.
7. *Ibid.*, p. 291.
8. Harry A. Miskimin, *The Economy of Later Renaissance Europe: 1460–1600* (Cambridge: Cambridge University Press, 1977), p. 60.
9. Of the 66 years from 1688 to 1756, fully 34, or more than half, were spent in wars with France. Later wars, such as 1756–63, 1777–83, and 1794–1814, were even more spectacular, so that of the 124 years from 1688 to 1814, no less than 67 were spent by England in wars with the 'French threat'.

8 French mercantilist thought in the seventeenth century

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8.1 Building the ruling élite

The system of mercantilism needed no high-flown ‘theory’ to get launched. It came naturally to the ruling castes of the burgeoning nation-states. The king, seconded by the nobility, favoured high government expenditures, military conquests, and high taxes to build up their common and individual power and wealth. The king naturally favoured alliances with nobles and with cartellizing and monopoly guilds and companies, for these built up his political power through alliances and his revenue through sales and fees from the beneficiaries. Neither did the cartellizing companies need much of a theory to come out in favour of themselves acquiring monopoly privilege. Subsidy to export, keeping out of imports, needed no theory either: nor did increasing the supply of money and credit to the kings, nobles or favoured business groups. Neither did the famous urge of mercantilists to build up the supply of bullion in the country: that supply in effect meant increased bullion flowing into the coffers of kings, nobles and monopoly export companies. And who does not want the supply of money in their pockets to rise?

Theory came later; theory came either to sell to the deluded masses the necessity and benevolence of the new system, or to sell to the king the particular scheme being promoted by the pamphleteer or his confrères. Mercantilist ‘theory’ was a set of rationales designed to uphold or expand particular vested economic interests.

Many twentieth century historians have lauded the mercantilists for their proto-Keynesian concern for ‘full employment’, thus showing allegedly surprising modern tendencies. It should be stressed, however, that the mercantilist concern for full employment was scarcely humanitarian. On the contrary, their desire was to stamp out idleness, and to force the idle, the vagrant, and the ‘sturdy beggars’ to work. In short, for the mercantilists, ‘full employment’ frankly implied its logical corollary: forced labour. Thus, in 1545, the ‘sturdy beggars’ of Paris were forced to work for long hours, and two years later, ‘to take away all opportunity for idleness from the healthy’, all women able but unwilling to work were whipped and driven out of Paris, while all men in the same category were sent to the galleys as slave labour.

The class basis of this mercantilist horror of idleness should be instantly noted. The nobility and the clergy, for example, were scarcely concerned with *their own* idleness; it was only that of the lower classes that must be ended by any means necessary. The same is true of the privileged merchants of the third estate. The thinly veiled excuse was the necessity of increasing ‘the productivity of the nation’, but these classes *constituted* the ruling élite, and such forced ending of idleness, whether on public works or in private production, was a boon to the rulers. It not only increased production for the latter’s benefit; it also lowered wage rates by adding to the supply of labour by coercion.

Thus, at the meeting of the states general, the parliamentary body of France, in 1576, all three estates united in their call for forced labour. The clergy urged that ‘no idle person...be allowed or tolerated’. The third estate wanted ‘sturdy beggars’ to be put to work, whipped or exiled. The nobles urged that ‘sturdy beggars and idlers’ be forced to work and whipped if they refused to comply.

The same states-general made their special pleading all too painfully clear in the matter of protective tariffs. The estates called for the prohibition of imports of all manufactured goods and the export of all raw materials. The purpose of both measures was to throw a wall of monopoly protection around domestic manufactures and to force producers of raw materials to sell their goods to those domestic businesses at an artificially low price. The excuse that such measures were necessary to ‘keep bullion’ or money ‘at home’ would seem patently absurd to any objective person. For if French consumers are to be prevented from buying imports in order to safeguard ‘their bullion’, what might happen otherwise? Was there really any danger of Frenchmen sending all their bullion abroad and keeping none for themselves? Clearly, such an event would be absurd, but *even* if it happened – the worst-case scenario – there is an evident hard maximum limit to any outflow of bullion from home. For where are the consumers bent on further importation going to get more bullion? Clearly, only by exporting other products abroad.

Consequently, the ‘keeping money at home’ argument is patently fraudulent, whether in seventeenth century France or in the twentieth century United States. The states-general were interested in protecting certain French industries, period.

The ‘keeping money at home’ argument was also a convenient stick to beat foreign businessmen or financiers who could outcompete natives. Thus the prospect of German bankers and Italian financiers flourishing in France gave rise to paroxysms of fury at the ‘ill-gotten gains’ of foreigners, taking money out of the country, fury that was of course fed by the typically mercantilist egregious ‘Montaigne fallacy’ that one man’s (or one nation’s) gain on the market was *ipso facto* another man’s (or nation’s loss). These disgruntled Frenchmen often suggested that foreign financiers be expelled from the country, but the kings were typically too bogged down in debt to afford such counsel.

8.2 The first major French mercantilist: Barthélemy de Laffemas

The first French mercantilist of note was Barthélemy de Laffemas (1545–1612), an uneducated son of a very poor Protestant family in Dauphiné. All his life he was the servitor of Henry of Navarre, the Protestant pretender, rising in 1582 to the exalted post of honorary tailor and valet to his master. When Henry of Navarre became King Henry IV, Laffemas’s fortune was

made, and he became in 1601 controller-general of commerce and head of the Commission of Commerce, to remain so until the king's death. Like a devoted dog who dies shortly after his master, Laffemas, now broken in power, died a year after Henry was assassinated in 1610. Laffemas comes to our attention because of the literally dozens of execrably written pamphlets he produced during his decades in power, on behalf of the mercantile system which he was helping to put into place in France.

Laffemas's focal point, his criterion for numerous economic policies, was whether or not they brought bullion into the kingdom. But note that these views need not necessarily be interpreted as dim-witted reliance on money-as-wealth; for when Laffemas wrote that gold and silver were 'the sinews and support of kingdoms and monarchies...the true matter and substance which maintains the state against...enemies', he was of course quite right. The more money kings can amass from their subjects, the wealthier and more powerful they would become. There is nothing odd or fallacious about *that*. The fallacy existed – should the argument be taken seriously – for anyone who identified the king's interest with that of all of French society.

The one spark of economic intelligence here came with the fact that Laffemas was one of the first mercantilists to shrewdly advise the king not to directly prohibit the export of bullion. Far better, he believed, to allow bullion to flow in and out of the country freely, and then strictly regulate commerce and industry in such a way that bullion would flow into the country.

Apart from that, Laffemas's economic advice was a dreary litany: prohibit all manufactured imports, prohibit fairs which drained money out of the kingdom and into the hands of foreigners, force merchants to buy only raw materials abroad and not manufactures, prohibit the export of raw materials. Guilds must be revived and used to regulate all urban work and to keep up the quality of products; committees of masters should supervise guilds; a bureau of manufactures should supervise them, and so on up to the royal court.

Promoting the usual mercantilist cant, Laffemas assured agriculture that it would benefit, not suffer, from the establishment of protected manufactures, since these would supply a home market for farm products. That this would be a highly inefficient and costly home market Laffemas did not bother to add.

Everyone who opposed his views, according to Laffemas, was selfish, ignorant, and/or a traitor, and should be dealt with accordingly. All who disobeyed the regulations and prohibitions should suffer confiscation of their goods as well as death.

Like most of his mercantilist confrères, Barthélemy de Laffemas was enamoured of the idea of full employment and the eradication of idleness.

Full employment, of course, meant coerced employment, and Laffemas called for an end to idleness by putting the idle to work, the reluctant to be forced into it by 'chains and prisons'. Taverns and cabarets were to be severely restricted, and confirmed drunkards arrested and put into the pillory.

Protectionism begins by trying to ensure national self-sufficiency in goods that can be made at home, and then continues by expanding the definition of what can indeed be made. For when profitability on the market is abandoned as a criterion, virtually every good in creation can be made – at *some* cost – at home. If Americans wanted to, they could undoubtedly grow all their bananas in hothouses in Maine or Montana at astronomical cost. But what would be the point, apart from subsidies to a few privileged hothouse growers?

One of Barthélemy de Laffemas's daftest projects, which as controller-general he did his best to put into effect, was to make France self-sufficient in one of her favourite luxury imports: silks. Many of his pamphlets and practical efforts were devoted to force-feeding an enormous expansion of the French silk industry, hitherto small and confined to the south of France.

Laffemas insisted that the climate of France was ideal for raising silk-worms; any belief to the contrary, any subversive talk that France was largely too cold and stormy for silk growing, was merely propaganda spread by the 'evil designs of certain French merchants, retailers of foreign silks'. Laffemas pointed to his own successful silk-growing, to King Henry's planting of mulberry trees (on which silkworms were fed). He advocated a law compelling all property owners, including the clergy and monasteries, to plant two or three mulberry trees per acre. He painted a beautiful picture of vast profits that were sure to flow from mulberry trees and silk culture. Laffemas also claimed magical medicinal properties for mulberries: they would cure tooth-ache and stomach trouble, relieve burns, chase away vermin, and be an antidote to poisons.

Even though Laffemas persuaded the king to pour hundreds of thousands of *livres* into fostering the growth of mulberry trees and silk culture, and the king duly ordered each diocese in France to establish a nursery of 50 000 mulberries, the great silk experiment proved an abject failure. The climate of most of France indeed proved inhospitable, a product of hard reality rather than misinformation spread by selfish and traitorous importers. The mass of the French clergy understandably dragged their feet at suddenly being forced to become silk producers. France continued to be a heavy net importer of silks.

Laffemas's main if not only disciple was his son Isaac. At the tender age of 19, young Isaac de Laffemas (1587–1657), keen to become the heir of his powerful father in every sense, published a *History of Commerce in France* (1606). The *History* was scarcely a memorable work, distinguished mainly for the fawning praise which he lavished upon his father and on King Henry,