

and deceit, he also asserts the necessity of ‘lawful vice’ in the operations of government. Deceit in a ruler may be necessary, and furthermore, such vices are positively needed ‘for sewing our society together, as [are] poisons for the preservation of our health’. Montaigne then goes on to integrate his defence of deceit in a prince with his seemingly paradoxical defence of reason of state while having no use for human reason at all. For in following reason of state, the prince has simply ‘abandoned his own reason for a more universal and powerful reason’, and this mystical super-reason has shown him that an ordinarily evil action needed to be done.

Michel de Montaigne made a notable and highly influential contribution to mercantilism – the strictly economic aspect of state absolutism – as well. Although he claimed that he knew nothing, on one thing he certainly asserted truth, his much vaunted scepticism suddenly vanishing: in what Ludwig von Mises was later to call the ‘Montaigne fallacy’, he insisted, as in the title of his famous Essay Number 22, that ‘The Plight of One Man is the Benefit of Another’. There is the essence of mercantilist theory, in so far as mercantilism has a theory at all; in contrast to the fundamental truth well known to the scholastics that both parties benefit from an exchange, Montaigne opined that in a trade, one man can only benefit at the expense of another. By analogy, in international trade, one nation must benefit at the expense of another. The implication is that the market is a ravening jungle, so why should not a Frenchman urge the French state to grab as much from others as it can?

Montaigne developed his theme in Essay 22 in a characteristically worldly-wise and cynical manner. He notes that an Athenian once condemned a funeral director

on the charge that he demanded unreasonable profit, and this profit could not accrue to him but by the death of a great number of people. This judgment appears to be ill-grounded, inasmuch as no profit can possibly be made but at the expense of another, and because by the same rule every kind of gain would have to be condemned.

All work is done at the expense of others, and Montaigne correctly notes that the physician could be condemned in the same way. The same charge could be levied at the farmer or retailer for ‘gaining because of people’s hunger’, the tailor for ‘profiting because of someone’s need for clothing’, and so forth. He concluded broadly that the benefit of any one entity is necessarily ‘the dissolution and corruption of some other thing’. Unfortunately, of course, he could not see also that these producers did not *create* such needs, but instead were fulfilling them and thereby removing the want and pain of their customers and adding to their happiness and standard of living. If he had gone that far, he would have realized the nonsense of his dog-eat-dog, or what would now be called his ‘zero-sum game’, view of the marketplace.

6.9 Jean Bodin: apex of absolutist thought in France

While Montaigne paved the way for the dominance of absolutist thought in France, surely the founder, or at least the *locus classicus* of sixteenth century French absolutism was Jean Bodin (1530–96). Born in Angers, Bodin studied law at the University of Toulouse, where he taught for 12 years. Bodin later went to Paris to become a jurist, and soon became one of the leading servitors of King Henry III, and one of the leaders of the statist *politique* party, which upheld the power of the king as against the principled militants among the Huguenots on one side, and the Catholic League on the other.

Bodin's most important work was *The Six Books of a Commonwealth* (*Les Six livres de la republique*) (1576). Perhaps the most massive work on political philosophy ever written, the *Six Books* was certainly the most influential book on political philosophy in the sixteenth century. In addition to this work, Bodin published books on money, law, the historical method, natural science, religion and the occult. Central to Bodin's theory of absolutism, written in the face of the challenge of Huguenot rebellion, was the notion of sovereignty: the unchallengeable power of command in the monarch ruling over the rest of society. Characteristically, Bodin defined sovereignty as 'the most high, absolute, and perpetual power over the citizens and subjects in a commonwealth'. Central to sovereignty in Bodin was the sovereign's function as law-giver to society, and 'the essence of lawmaking was command – in exercise of will with binding force'.¹¹

Since the sovereign is the maker or creator of the law, he must therefore be above that law, which applies only to his subjects and not to himself. The sovereign, then, is a person whose will creates order out of formlessness and chaos.

The sovereign, furthermore, must be unitary and indivisible, the locus of command in society. Bodin explains that 'we see the principal point of sovereign majesty and absolute power to consist in giving laws to subjects in general, without their consent'. The sovereign must be above the law that he creates as well as any customary law or institutions. Bodin urged the sovereign prince to follow God's law in framing his edicts, but the important point was that no human action or institution could be employed to see that the prince follows the divine path or to call him to account.

Bodin, however, called upon the prince to rely for advice or counsel on a small number of wise advisers, men who, allegedly lacking motives of self-interest, would be able to aid the king in legislating for the public good of the entire nation. In short, a shall élite of wise men would share in the sovereign power behind the scenes, while publicly, the sovereign would hand down decrees as if solely the product of his own will. As Keohane writes, in Bodin's system 'the monarch's dependence on his counsellors is hidden by

the impressive and satisfying fiction that the law is handed down by one benevolent, absolute, superhuman will...'.¹²

It is hardly far-fetched to conclude that Bodin, court politician and jurist, saw himself as one of the sages running government from behind the scenes. Plato's ideal of combined philosopher-king had now been transformed into the more realistic and, for Bodin, more self-serving goal of philosopher guiding the king. And all this cloaked in the illusory assumption that such a court philosopher has no self-interest in money or power in his own right.

Bodin also envisaged a broad role for various groups to participate in the government of the commonwealth, as well as a wide scope for bureaucrats and administrators. The crucial point is that all be subordinated to the power of the king.

It is often true that political analysts are at their most acute in revealing the flaws in systems with which they disagree. Accordingly, one of Bodin's keenest insights was his examination of the popular democracies of the past. Bodin points out that 'if we rip up all the popular states that ever were', and closely examine their real condition, then we shall find that the alleged rule of the people was always rule by a small oligarchy. Anticipating such perceptive late nineteenth century theorists of the power élite or ruling class as Robert Michels, Gaetano Mosca and Vilfredo Pareto, Bodin pointed out that in reality rule is always exercised by an oligarchy, for whom 'the people serves but for a mask'.

There is a curious *lacuna*, however, in the agenda of absolutist power proclaimed by Jean Bodin. That *lacuna* lies in an area always crucial to the practical exercise of state power: taxation. We have seen that before the fourteenth century, French monarchs were expected to live off their own seigneurial rents and tolls, and that tax levies were only granted begrudgingly and in emergencies. And while a regular and oppressive system of taxation was in place in France by the early sixteenth century, even the royal and absolutist theorists hesitated to grant the monarch the unlimited right to tax. In the late sixteenth century, both the Huguenots and the Catholic Leaguers bitterly condemned the arbitrary power of the king to tax as a crime against society. As a result Bodin and his fellow establishment *politiques* were reluctant to play into the hands of the king's enemies. Like the French writers before him, then, Bodin inconsistently upheld the rights of private property, as well as the invalidity of the king's taxing his subjects without their consent: 'It is not in the power of any prince in the world, at his pleasure to raise taxes upon the people, no more than to take another man's goods upon him...' Bodin's notion of 'consent', however, was scarcely a thoroughgoing or radical one; instead, he was content with the existing formal agreement to taxation by the states-general.

Bodin's own actions as a deputy from the Vermandois at the states-general meeting at Blois (1576–77) emphatically stressed the limited taxes aspect of

his consistent attitude toward sovereignty. The king had proposed to substitute a graduated income tax on all commoners with no exemptions (what might now be called ‘a flat tax with bumps’) for the myriad of different taxes they then were forced to pay. Curiously enough, this scheme was almost precisely the one which Bodin himself had publicly advocated a short while before. But Bodin’s opposition to the king’s proposal displayed his shrewdly realistic attitude toward government. He noted ‘that the king could not be trusted when he said this tax would be substituted for the tailles, aides, and gabelles. Rather, it was much more likely that the king was plotting to make this an additional tax’.¹³ Bodin also engaged in a perceptive interest-analysis of the reason that the Parisian deputies had taken the lead in support of the new, higher tax. For he showed that the Parisians had not been paid any interest on their government bonds for a long while, and were hoping that the higher taxes would allow the king to resume his payments.

Jean Bodin, anxious to prevent the king from launching an all-out war against the Huguenots, led the estates in blocking not only the single-tax plan, but also other emergency grants to the king. Bodin pointed out that ‘temporary’ grants often became permanent. He also warned the king and his countrymen that ‘one cannot find more frequent upsets, seditions, and ruins of commonwealths than because of excessive tax burdens and imposts’.

Among the absolutist writers following Bodin, the seventeenth century servitors of the absolute state, all hesitance or piety to the medieval legacy of strictly limited taxation was destined to disappear. State power, unlimited, was to be glorified.

In the more narrowly economic sphere of the theory of money, Bodin, as we have seen above, has long been credited by historians with pioneering the quantity theory of money (more strictly, the direct influence of the supply of money on prices) in his *Response to the Paradoxes of M. de Malestroit* (1568). Malestroit had attributed the unusual and chronic price increases in France to debasement, but Bodin pinpointed the cause as the increased supply of specie from the New World. We have seen, however, that the quantity theory had been known since the time of the fourteenth century scholastic Jean Buridan and of Nicolas Copernicus in the early sixteenth century. The increased specie from the New World was spotted as the cause of price rises a dozen years earlier than Bodin by the eminent Spanish scholastic Martin de Azpilcueta Navarrus. As a highly learned scholar, Bodin would certainly have read Navarrus’s treatise, especially since Navarrus had taught at the University of Toulouse a generation before Bodin came there to study. Bodin’s claim of originality in this analysis should therefore be taken with many grains of salt.¹⁴

Jean Bodin was also one of the first theorists to point out the influence of social leaders on demand for goods, and therefore on their price. People, he

points out, 'esteem and raise in price everything that the great lords like, though the things in themselves are nor worth that valuation'. Then, a snob effect takes over, after 'the great lords see that their subjects have an abundance of things that they themselves like'. The lords then 'begin to despise' these products, and their prices then fall.

Despite his numerous keen economic and political insights, however, Bodin was ultra-orthodox in his view of usury, ignoring the work of his near-contemporary Du Moulin as well as the Spanish scholastics. Interest-taking was prohibited by God, according to Bodin, and that was that.

6.10 After Bodin

Jean Bodin's exaltation of sovereignty struck French political thought like a thunderclap; here at last was a way to justify and expand the ever-increasing powers of the Crown. In particular, the new view was adopted and subtly transformed by writers who were far more absolutist, *in practice*, than was Bodin himself. The one element that Bodin's veneration of sovereignty lacked was the Protestant notion of divine sanction; for to Bodin absolute sovereignty was simply a fact of nature. Other *politiques*, however, soon added the missing ingredient, since they had long been accustomed to think of rule as by divine right. The idea of the king's rule being commanded by God was a familiar one in the sixteenth century; none, however, had extended kingly rule to the notion of absolute sovereignty created by Bodin.

The most important immediate follower of Bodin was Pierre Grégoire, in his *De republica* (1578). The king, for Grégoire, was God's appointed vicar in the temporal sphere, and his rule was under the constant influence of God's will. The king's command was therefore equivalent to God's, and was equally owed absolute obedience by his subjects. 'The prince is the image of God, in power and in authority', wrote Grégoire.

Bodin and others had still retained the idea that true justice was a concept separate and apart from the king's edicts, so that the king's actions could well be unjust; no one, however, was allowed to obstruct or disobey such actions. But in the doctrine of the gallicized Scot Adam Blackwood, the two concepts become almost totally conflated (*Adversus Georgii Buchanani*, 1581). The will of the prince, for Blackwood, becomes just virtually by definition. The king was necessarily just and virtually superhuman, a living law unto himself. Indeed, Blackwood carried the glorification of divinely constituted monarchy to its apogee, asserting that the very *person* of the king, and not simply the authority of his office, was divine, and that he was in a literal sense a god on earth.

As its title indicates, Blackwood's work was written as an attack on his fellow gallicized Scot, the radical Calvinist George Buchanan. Buchanan's libertarian and pro-tyrannicide doctrine had rested, unsurprisingly, on the

concept of natural law. And so Blackwood denounced natural law as a source of anarchistic liberty, prompting in its believers an aversion to law and to political authority. Against natural law, Blackwood upheld the *jus gentium*, the positive law of nations, as the explanation and justification of political authority.

It is not surprising that the consensual limit on taxation, still active in Bodin's thought, should drop out immediately upon the fusion of absolute sovereignty and divine right. The leader of that fusion, Pierre Grégoire, introduced erasing the tax limit as well. Whereas even Bodin had conceded that natural law established a right to private property, with Grégoire natural law only ratifies the unchecked power of the king. For Grégoire, the king had the unlimited prerogative to levy taxes, since the good of the state is higher than the property rights of the individual. Indeed, the king possessed by divine grant an absolute authority over all the persons and properties of his subjects. To avoid confusion, therefore, or any implication of consent to taxation, the states-general should be abolished altogether.

It was, indeed, Adam Blackwood who uniquely and radically reached the clarity of consistency on the ruler's right to tax. For if property rights are important, and the king has the absolute right to tax or otherwise seize private property at will, then this must mean that 'All lands were originally held by the king and were granted by him to others...And the granting of fiefs by the king was but a partial transfer; all lands owed tribute to him and remained subject to his authority'.¹⁵ In short, in an odd version of the state of nature, only the king had original or continuing property rights; all other seeming property rights are simply allowances by the king, temporary possessions that are regulatable by the king and revocable by him at any time.

Whereas Adam Blackwood had been a lone extremist in absolutism in the early 1580s, a host of royalist pamphleteers were soon adopting his views. From approximately 1585 to Henry IV's conversion to Catholicism eight years later, the royal power was beleaguered and subordinate to the strength of the militant Catholic League. The royalist writers therefore felt obliged to push the divine sanction of the sovereign to the maximum, in order to eliminate any power of the pope in France, and to counsel absolute obedience to any legitimate sovereign, regardless of his religion. The king had absolute authority over the Catholic Church in France as well as all other institutions. Thus, François Le Jay (*On the Dignity of Kings*, 1589) asserted that kings were established for the honour and service of God, and that subjects should obey their rulers as they would a god on earth. Louis Servin, in his *Vindiciae* (1590), trumpeted of Henry IV, then still a Huguenot, that 'God is our king; by Him he lives and flourishes, and by His spirit is he animated'. Probably the most extreme version of this doctrine was expressed in a speech of Jacques de La Guesle, procurator general of France, asking the *parlement* to

condemn a priest who had upheld the supreme temporal authority of the pope:

Sirs, the authority of the king is sacrosanct, ordained by God, the principal work of His Providence, the masterpiece of His hands, the image of His sublime Majesty and proportionate to His immense grandeur, so as to bear comparison of the creature with the Creator... For, just as God is by nature the first King and Prince, so is the King, by creation and imitation, God of all on earth...¹⁶

The subjects, according to these Henrician absolutists, owed this quasi-divine figure absolute obedience. These writers developed the Blackwoodian theme that the king's decrees were *ipso facto* and necessarily just. Jacques Hurault, in his *On the Offices of State* (1588), developed this doctrine most clearly. Hurault explained that the prince was guided by the hand of God and therefore could do no wrong. The ruler was not simply a man but justice itself, which he dispensed according to the will of God. The constitution of the state was subordinated, in Hurault, to two simple points: the prince's necessarily just commands, and the obedience of his subjects. The ruler commands and the subjects obey. Period. Furthermore, in reaction to the Leaguer emphasis on the people, the royalists counselled the king not to allow naturally restless subjects much liberty.

Since the *politiques* and Henry IV triumphed shortly thereafter, these ultra-absolutist views of the embattled Henrician pamphleteers inspired and were followed fairly completely by the dominant theoreticians of the great age of absolutism: seventeenth century France.

6.11 Notes

1. Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), pp. 163–4.
2. Quentin Skinner, *The Foundations of Modern Political Thought: Vol. I, The Renaissance* (Cambridge: Cambridge University Press, 1978), p. 138n.
3. Ibid., p. 138.
4. Ibid., pp. 134–5.
5. We shall see in a later volume that the renowned left Keynesian Alvin Henry Hansen, in his famous 'stagnation' thesis of the late 1930s, forecast permanent stagnation for the American economy partially because of the recent *decline* in population growth. We shall see further that Hansen developed this doctrine as the logical outcome of a rigid Walrasian framework. This of course is in stark contrast to the pro-'zero population growth' hysteria of the left liberals of the 1970s.
6. Thus, for the world of the twentieth century, P.T. Bauer notes: 'Indeed, over large parts of the Third World the extreme sparseness of the population presents obstacles to the economic advance of enterprising people, obstacles which are more effective than those supposedly presented by population pressure. A sparse population precludes the construction of transport facilities and communications, and thus retards the spread of new ideas and methods. In this way, it circumscribes the scope for enterprise.' P.T. Bauer, *Equality, the Third World and Economic Delusion* (Cambridge, Mass.: Harvard University Press, 1981), p. 45.
7. Schumpeter, op. cit., note 1, p. 579.

8. William Farr Church, *Constitutional Thought in Sixteenth-Century France: A Study in the Evolution of Ideas* (1941, New York: Octagon Books, 1969), p. 53.
9. Pronounced Mon-TAN-ye rather than the usual Mon-TAYN, for he came from an area of south-western France where *langue d'oc* (Occitan) was spoken rather than the northern (essentially the area around Paris) *langue d'oeil* or *d'oui* (French). The southern regions had only been conquered by France in the course of a savage extirpation of their religion (Albigensian) and culture during the thirteenth century. The area around Bordeaux, furthermore, had been acquired by England and governed by the English for three centuries, from the mid-twelfth to the mid-fifteenth. When the French captured Bordeaux and the surrounding region in the 1450s, they proceeded to extirpate the Gascon (which includes Périgord) wing of Occitan as a written language, a language that the English had left alone. Thus, in 1539, a few years after Montaigne's birth, the French outlawed the use of Occitan as an administrative, written language, in the Edict of Villers-Cotterêts. People like Montaigne were thus induced to write in the official French language, and while he was always loyal to the French Crown, Montaigne still considered himself far more of a Gascon than a Frenchman.
10. Skinner, op. cit., note 2, p. 279.
11. Nannerl O. Keohane, *Philosophy and the State in France: the Renaissance to the Enlightenment* (Princeton, NJ: Princeton University Press, 1980), p. 70.
12. *Ibid.*, p. 75.
13. Martin Wolfe, *The Fiscal System of Renaissance France* (New Haven: Yale University Press, 1972), p. 162.
14. In 1907, a descendant of Bodin asserted that the first writer to explain the influence of specie from the New World on prices in Europe was the Frenchman Noël du Fail, in 1548.
15. William Farr Church, *Constitutional Thought in Sixteenth Century France: A Study in the Evolution of Ideas* (1941, New York: Octagon Books, 1969), p. 259.
16. My translation from the French. See *ibid.*, pp. 266n-67n.

7 Mercantilism: serving the absolute state

7.1	Mercantilism as the economic aspect of absolutism	213
7.2	Mercantilism in Spain	214
7.3	Mercantilism and Colbertism in France	216
7.4	Mercantilism in England: textiles and monopolies	221
7.5	Enserfdom in eastern Europe	226
7.6	Mercantilism and inflation	227
7.7	Notes	230

7.1 Mercantilism as the economic aspect of absolutism

By the beginning of the seventeenth century, royal absolutism had emerged victorious all over Europe. But a king (or, in the case of the Italian city-states, some lesser prince or ruler) cannot rule all by himself. He must rule through a hierarchical bureaucracy. And so the rule of absolutism was created through a series of alliances between the king, his nobles (who were mainly large feudal or post-feudal landlords), and various segments of large-scale merchants or traders. ‘Mercantilism’ is the name given by late nineteenth century historians to the politico-economic system of the absolute state from approximately the sixteenth to the eighteenth centuries. Mercantilism has been called by various historians or observers a ‘system of Power or State-building’ (Eli Heckscher), a system of systematic state privilege, particularly in restricting imports or subsidizing exports (Adam Smith), or a faulty set of economic theories, including protectionism and the alleged necessity for piling up bullion in a country. In fact, mercantilism was all of these things; it was a comprehensive system of state-building, state privilege, and what might be called ‘state monopoly capitalism’.

As the economic aspect of state absolutism, mercantilism was of necessity a system of state-building, of Big Government, of heavy royal expenditure, of high taxes, of (especially after the late seventeenth century) inflation and deficit finance, of war, imperialism, and the aggrandizing of the nation-state. In short, a politico-economic system very like that of the present day, with the unimportant exception that now large-scale industry rather than mercantile commerce is the main focus of the economy. But state absolutism means that the state must purchase and maintain allies among powerful groups in the economy, and it also provides a cockpit for lobbying for special privilege among such groups.

Jacob Viner put the case well:

The laws and proclamations were not all, as some modern admirers of the virtues of mercantilism would have us believe, the outcome of a noble zeal for a strong and glorious nation, directed against the selfishness of the profit-seeking merchant, but were the product of conflicting interests of varying degrees of respectability. Each group, economic, social, or religious, pressed constantly for legislation in conformity with its special interest. The fiscal needs of the crown were always an important and generally a determining influence on the course of trade legislation. Diplomatic considerations also played their part in influencing legislation, as did the desire of the crown to award special privileges, *con amore*, to its favorites, or to sell them, or to be bribed into giving them, to the highest bidders.¹

In the area of state absolutism, grants of special privilege included the creation by grant or sale of privileged ‘monopolies’, i.e. the exclusive right granted by the Crown to produce or sell a given product or trade in a certain area. These ‘patents of monopoly’ were either sold or granted to allies of the Crown, or to those groups of merchants who would assist the king in the collection of taxes. The grants were either for trade in a certain region, such

as the various East India companies, which acquired the monopoly right in each country to trade with the Far East, or were internal – such as the grant of a monopoly to one person to manufacture playing cards in England. The result was to privilege one set of businessmen at the expense of their potential competitors and of the mass of English consumers. Or, the state would cartelize craft production and industry and cement alliances by compelling all producers to join and obey the orders of privileged urban guilds.

It should be noted that the most prominent aspects of mercantilist policy – taxing or prohibiting imports or subsidizing exports – were part and parcel of this system of state monopoly privilege. Imports were subject to prohibition or protective tariff in order to confer privilege on domestic merchants or craftsmen; exports were subsidized for similar reasons. The focus in examining mercantilist thinkers and writers should not be the fallacies of their alleged economic ‘theories’. Theory was the last consideration in their minds. They were, as Schumpeter called them, ‘consultant administrators and pamphleteers’ – to which should be added lobbyists. Their ‘theories’ were any propaganda arguments, however faulty or contradictory, that could win them a slice of boodle from the state apparatus.

As Viner wrote:

The mercantilist literature...consisted in the main of writings by or on behalf of ‘merchants’ or businessmen, who had the usual capacity for identifying their own with the national welfare...The great bulk of the mercantilist literature consisted of tracts which were partly or wholly, frankly or disguisedly, special pleas for special economic interests. Freedom for themselves, restrictions for others, such was the essence of the usual program of legislation of the mercantilist tracts of merchant authorship.²

7.2 Mercantilism in Spain

The seeming prosperity and glittering power of Spain in the sixteenth century proved a sham and an illusion in the long run. For it was fuelled almost completely by the influx of silver and gold from the Spanish colonies in the New World. In the short run, the influx of bullion provided a means by which the Spanish could purchase and enjoy the products of the rest of Europe and Asia; but in the long run price inflation wiped out this temporary advantage. The result was that when the influx of specie dried up, in the seventeenth century, little or nothing remained. Not only that: the bullion prosperity induced people and resources to move to southern Spain, particularly the port of Seville, where the new specie entered Europe. The result was malinvestment in Seville and the south of Spain, offset by the crippling of potential economic growth in the north.

But that was not all. At the end of the fifteenth century, the Spanish Crown cartelized the developing and promising Castilian textile industry by passing

over 100 laws designed to freeze the industry at the current level of development. This freeze crippled the protected Castilian cloth industry and destroyed its efficiency in the long run, so that it could not become competitive in European markets.

Furthermore, royal action also managed to destroy the flourishing Spanish silk industry, which centred in southern Spain at Granada. Unfortunately, Granada was still a centre of Muslim or Moorish population, and so a series of vindictive acts by the Spanish Crown brought the silk industry to its virtual demise. First, several edicts drastically limited the domestic use and consumption of silk. Second, silks in the 1550s were prohibited from being exported, and a tremendous increase in taxes on the silk industry of Granada after 1561 finished the job.

Spanish agriculture in the sixteenth century was also crippled and laid waste by government intervention. The Castilian Crown had long made an alliance with the Mesta, the guild of sheep farmers, who received special privileges in return for heavy tax contributions to the monarchy. In the 1480s and 1490s, enclosures that had been made in previous years for grain farming were all disallowed, and sheepwalks (*cañadas*) were greatly expanded by government decree at the expense of the lands of grain farmers. The grain farmers were also hobbled by special legislation passed on behalf of the carters' guild – roads being in all countries special favourites for military purposes. Carters were specially allowed free passage on all local roads, and heavy taxes were levied on grain farmers to build and maintain the roads benefiting the carters.

Grain prices rose throughout Europe beginning in the early sixteenth century. The Spanish Crown, worried that the rising prices might induce a shift of land from sheep to grain, levied maximum price control on grain, while landlords were allowed unilaterally to rescind leases and charge higher rates to grain farmers. The result of the consequent cost-price squeeze was massive farm bankruptcies, rural depopulation, and the shift of farmers to the towns or the military. The bizarre result was that, by the end of the sixteenth century, Castile suffered from periodic famines because imported Baltic grain could not easily be moved to the interior of Spain, while at the same time one-third of Castilian farm land had become uncultivated waste.

Meanwhile, shepherding, so heavily privileged by the Spanish Crown, flourished for the first half of the sixteenth century, but soon fell victim to financial and market dislocations. As a result, Spanish shepherding fell into a sharp decline.

Heavy royal expenditures and taxes on the middle classes also crippled the Spanish economy as a whole, and huge deficits misallocated capital. Three massive defaults by the Spanish king, Philip II – in 1557, 1575 and 1596 – destroyed capital and led to large-scale bankruptcies and credit stringencies

in France and in Antwerp. The resultant failure to pay Spanish imperial troops in the Netherlands in 1575 led to a thoroughgoing sack of Antwerp by mutinying troops the following year in an orgy of looting and rapine known as the 'Spanish Fury'. The name stuck even though these were largely German mercenaries.

The once free and enormously prosperous city of Antwerp was brought to its knees by a series of statist measures during the late sixteenth century. In addition to the defaults, the major problem was a massive attempt by the Spanish king, Philip II, to hold on to the Netherlands and to stamp out the Protestant and Anabaptist heresies. In 1562, the Spanish king forcibly closed Antwerp to its chief import – English woollen broadcloths. And, when the notorious duke of Alva assumed the governorship of the Netherlands in 1567, he instituted repression in the form of a 'Council of Blood', which had the power to torture, kill, and confiscate the property of heretics. Alva also levied a heavy value-added tax of 10 per cent, the *alcabala*, which served to cripple the sophisticated and interrelated Netherlands economy. Many skilled woolen craftsmen fled to a hospitable home in England.

Finally, the breakaway of the Dutch from Spain in the 1580s, and another Spanish royal default in 1607, led to a treaty with the Dutch two years later which finished Antwerp by cutting off its access to the sea and to the mouth of the River Scheldt, which was confirmed to be in Dutch hands. From then on, for the remainder of the seventeenth century, decentralized and free market Holland, and in particular the city of Amsterdam, replaced Flanders and Antwerp as the main commercial and financial centre in Europe.

7.3 Mercantilism and Colbertism in France

In France, which was to become in the seventeenth century the home *par excellence* of the despotic nation-state, the promising cloth trade and other commerce and industry in Lyons and the Languedoc region in the south were crippled by the devastating religious wars in the last four decades of the sixteenth century. In addition to the devastation and the killing and emigration of skilled Huguenot craftsmen to England, high taxes to finance the war served to cripple French economic growth. Then, the *politique* party, riding to power on the promise of ending religious strife, ushered in the unchecked reign of royal absolutism.

Crippling regulation of French industry had begun in the late fifteenth century, when the king issued scores of guild charters, conferring the power to control and to set standards of quality in the different occupations upon urban guilds and their officials. The Crown conferred cartelizing privileges on the guilds while levying taxes upon them in exchange. A major reason why Lyons had flourished during the sixteenth century was that it was granted a special exemption from guild rule and guild restrictions.

By the end of the sixteenth century and the religious wars, the old regulations were still in place, ready to be enforced. The new absolute monarchy was ready to enforce them and carry them further. Thus, in 1581, King Henry III ordered all the artisans of France to join and group themselves into guilds, whose orders were to be enforced. All except Parisian and Lyonnaise craftsmen were forced to confine their activity to their current towns; in that way, mobility in French industry was brought to an end. In 1597, Henry IV re-enacted and strengthened these laws, and proceeded to enforce them thoroughly.

The result of this network of restriction was the total crippling of economic and industrial growth in France. The typical ploy of preserving 'standards of quality' meant that competition was hobbled, production and imports limited, and prices kept high. It meant, in short, that consumers were not allowed the option of paying less money for lower-quality products. State-privileged monopolies grew as well, with similar effects; and upon the guilds and the monopolies the state levied increasing and stifling taxes. Growing inspection fees for quality also exacted a great burden on the French economy. Furthermore, luxury production was particularly subsidized, and the profits of expanding industries diverted to subsidize the weak. Capital accumulation was thereby slowed and the growth of promising and strong industries crippled. The subsidizing and privileging of luxury industries meant a shift of resources away from cost-cutting innovations in new mass-production industries, and towards such areas of high-cost craftsmanship as glass and tapestries.

The increasingly powerful French monarchy and aristocracy were large consumers of luxury goods and were therefore particularly interested in fostering them and maintaining their quality. Price was no great object since the monarchy and nobility lived off compulsory levies in any case. Thus, in May 1665, the king established monopoly privileges for a group of French lace manufacturers, using the transparently canting argument that this was done to prevent 'the export of money and to give employment to the people'. Actually, the point was to prohibit anyone other than the privileged licensees from making lace, in return for hefty fees paid to the Crown. Domestic cartels are worthless if the consumer is allowed to buy cheaper substitutes from abroad, and so protective tariffs were levied on imported lace. But apparently smuggling abounded, and so in 1667, the government made enforcement easier by prohibiting all foreign lace whatsoever. In addition, to prevent unlicensed competition, it was necessary for the French Crown to prohibit any lace work at home, and to force all lace work to occur at fixed, visible points of manufacture. Thus, as the finance and commerce minister and general economic czar Jean-Baptiste Colbert wrote to a government lace supervisor: 'I beg you to note with care that no girl must be allowed to work

at the home of her parents and that you must oblige them all to go to the house of the manufactures...’

Perhaps the most important of the numerous mercantile restrictions on the French economy imposed in the seventeenth century was the enforcing of ‘quality’ standards on production and trade. This tended to mean a freezing of the French economy at the level of the early or mid-seventeenth century. That coerced freeze effectively hobbled or even prevented the innovation – new products, new technologies, new methods of handling production and exchange – so necessary to economic and industrial development. One example was the loom, invented in the early seventeenth century, at first used principally for the production of the luxury item, silk stockings. When looms began to be applied to relatively mass-consumption woollen and linen goods, the hand-knitters balked at the efficient competition, and persuaded Colbert, in 1680, to outlaw the use of the loom on any article except silk. Fortunately, in the case of the loom, the excluded woollen and linen manufacturers were politically powerful enough to get the prohibition repealed four years later, and to get themselves included in the protectionist/cartelist system of advantage.

All these tendencies of French mercantilism reached a climax in the era of Jean-Baptiste Colbert (1619–83), so much so that he gave the name Colbertisme to the most hypertrophied embodiment of mercantilism. The son of a merchant born at Reims, Colbert early in life joined the French central bureaucracy. By 1651, he had become a leading bureaucrat in the service of the Crown, and from 1661 to his death 22 years later, Colbert was the virtual economic czar – absorbing such offices as superintendent of finance, of commerce, and secretary of state – under the great Sun King, that epitome of absolutist despotism, Louis XIV.

Colbert engaged in a virtual orgy of grants of monopoly, subsidies of luxury, and cartellizing privilege, and built up a mighty system of central bureaucracy, of officials known as *intendants*, to enforce the network of controls and regulations. He also created a formidable system of inspections, marks and measurements to be able to identify all those straying from the detailed list of state regulations. The *intendants* employed a network of spies and informers to ferret out all violations of the cartel restrictions and regulations. In the classic mode of spies everywhere, they also spied on each other, including the *intendants* themselves. Penalties for violations ranged from confiscation and destruction of the ‘inferior’ production, to heavy fines, public mockery, and deprivation of one’s licence to stay in business. As the major historian of mercantilism summed up French enforcement: ‘No measure of control was considered too severe where it served to secure the greatest possible respect for the regulations.’³

Two of the most extreme examples of the suppression of innovation in France occurred shortly after the death of Colbert during the lengthy reign of

Louis XIV. Button-making in France had been controlled by various guilds, depending on the material used, the most important part belonging to the cord- and button-makers' guild, who made cord buttons by hand. By the 1690s, tailors and dealers launched the innovation of weaving buttons from the material used in the garment. The outrage of the inefficient hand-button-makers brought the state leaping to their defence. In the late 1690s, fines were imposed on the production, sale, and even the wearing of the new buttons, and the fines were continually increased. The local guild wardens even obtained the right to search people's houses and to arrest anyone in the street who wore the evil and illegal buttons. In a few years, however, the state and the hand-button-makers had to give up the fight, since everyone in France was using the new buttons.

More important in stunting France's industrial growth was the disastrous prohibition of the popular new cloth, printed calicoes. Cotton textiles were not yet of supreme importance in this era, but cottons were to be the spark of the Industrial Revolution in eighteenth century England. France's strictly enforced policy made sure that cottons would not be flourishing there.

The new cloth, printed calicoes, began to be imported from India in the 1660s, and became highly popular, useful for an inexpensive mass market, as well as for high fashion. As a result, calico printing was launched in France. By the 1680s, the indignant woollen, cloth, silk and linen industries all complained to the state of 'unfair competition' by the highly popular upstart. The printed colours were readily outcompeting the older cloths. And so the French state responded in 1686 by total prohibition of printed calicoes: their import or their domestic production. In 1700, the French government went all the way: an absolute ban on every aspect of calicoes including their use in consumption. Government spies had a hysterical field day: 'peering into coaches and private houses and reporting that the governess of the Marquis de Cormoy had been seen at her window clothed in calico of a white background with big red flowers, almost new, or that the wife of a lemonade-seller had been seen in her shop in a casquin of calico'.⁴ Literally thousands of Frenchmen died in the calico struggles, either being executed for wearing calicoes or in armed raids against calico-users.

Calicoes were so popular, however, especially among French ladies, that the fight was eventually lost, even though the prohibition stayed on the books until the late eighteenth century. The smuggling of calicoes simply could not be stopped. But it was of course easier to enforce the prohibition against domestic calico manufacture than against the entire French consuming population, and so the result of the near-century of prohibition was to put a total stop to any domestic calico-printing industry in France. The calico entrepreneurs and skilled craftsmen, many of them Huguenots oppressed by the French state, emigrated to Holland and England, strengthening the calico industry in those countries.