The Rise of Mercantilism

Background

THE origins of modern economic security policy may most accurately be identified with the rise of mercantilism. The goals and measures generally descriptive of the mercantilist era in England became prevalent in the latter half of the sixteenth century. Mercantilism, however, did not represent a sharp and dramatic shift from earlier social and economic policies.\(^1\) It is better understood as a gradual change from a feudal to a laissez-faire economy. It was well toward the end of the seventeenth century before clear distinctions between feudalism and mercantilism occurred, and by that time, at least as concerns English domestic policies, the movement toward laissez-faire concepts had already begun.

The mercantilist era, even at its height, did not present a uniform pattern of thought and policy.\(^2\) It was a period of transition between the medieval and the modern and contained the inherent conflicts between the new and the old. It grew out of the static ideal of the medieval world and pointed toward the fluidity of modern social and economic life. Perhaps mercantilism's unique characteristic was its faith in the government's capacity to arrange satisfactorily the affairs of men. This faith was rooted in the need for order on the rapidly moving scene caused by the disintegration of the established social system. The sixteenth century was
characterized less by any positive theory of state responsibility than by a naive belief in the ability of centralized government to realize whatever purposes it set out to accomplish. Everything seemed within the range of a government powerful enough to dominate the nation.³

The nationalist emphasis of mercantilist policies has resulted in greater attention being given to their foreign than to their domestic implications. In England internal social and economic policies were less consistent and more short-lived than those governing relationships with the colonies and other states. The waning of governmental interference in domestic affairs occurred almost a century before laissez-faire was applied to the foreign scene. Mercantilist measures made a significant impression on local matters, however, and had lasting consequences, particularly in the development of economic security policy.

The interests of the state were the dominant focus of all mercantilist policy. The state, through an elaborate complex of governmental bodies, concerned itself with all phases of the social and economic life of its subjects and assumed a guiding role in directing their behavior. In both national and international affairs the mercantilist state acted on the assumption that there was a fixed and limited amount of available wealth and that active intervention was necessary to control its distribution. As a corollary, the state did not accept, as did laissez-faire society later, the premise that the free play of individual interests would enhance the welfare of all. It acted on the assumption that the welfare of the state and society could be achieved only through the active, paternalistic guidance of the state. In contrast to later socialist doctrine, however, the control of the state was exercised in restricting or encouraging the activities of its members rather than in directly managing the productive institutions of society.

Despite its emphasis on state control, the mercantilist state did much to provide the foundation for the laissez-faire era to follow. Primarily concerned with national interests and national self-sufficiency, mercantilist governments overrode the separatist and local influences that had obstructed the free movement of trade. As distinguished from earlier eras, the concept of private property and private profit became fully accepted, and the reliance on industry and commerce to enrich the national wealth developed and strengthened those elements of society interested in a free market system.⁴
The aims of the mercantilist state involved the expansion of governmental power and the increase of national wealth, closely connected objectives. To achieve those objectives mercantilist policy stressed the maintenance of stability within the country and the growth of agricultural, industrial, and commercial pursuits that would provide the foundation of a favorable balance of foreign trade. These goals were not entirely compatible and account for some of the inconsistencies in mercantilist policy. There was an attempt to support the traditional modes of the earlier medieval status society and at the same time exploit the advantages of the new contract relationships of the growing commercial economy. English mercantilist governments at first tried valiantly to maintain the status quo of the medieval period. They opposed enclosure, limited the growth of industry, controlled the supply of agricultural laborers, and generally acted to solidify the existing class system. It was not long, however, before the state's interest in expanding national wealth prompted support of the commercial sections of society. The restrictive policies of the early Stuarts were opposed and defeated, and major changes occurred in the earlier, more status-oriented view of society.

The paternalism of the mercantilist state has led some to emphasize its role as the protector of the underdog. What protection it afforded, however, may be viewed more accurately as a means of enhancing the position of the state than of benefiting any particular group. Yet there was much in early mercantilist policy more favorable to the poor and labor generally than was to be found in the periods immediately before and after. Whatever its motivations, the mercantilist state more actively pursued positive measures for the welfare of the poor than was true in the medieval era, and less was left to the vagaries of individual action than in the laissez-faire period. The doctrines of individual responsibility and natural harmony of interests had not yet become predominant. Mercantilism inherited the medieval notion of causation being beyond individual control. In moving from a religious to a secular emphasis mercantilist society attributed some of the responsibility for such phenomena as poverty to social conditions and intervened to correct these conditions.

As a whole, however, mercantilist policy cannot be considered as consciously favoring the welfare of the poor. More enlightened than earlier eras and less avowedly harsh than later periods, mercantilist policy to-
ward the poor was organized in the interests of the state and whatever
groups were identified with the power and wealth of the state. The goal
of mercantilism was at best to supply the poor with minimum subsis-
tence. In the beginning the state, still influenced by medieval values and
threatened by the potential anarchy of the emerging commercial society,
tended to carry out its obligation to the poor. With the rise of the mer-
chant and industrial interests this minimal concern for the welfare of the
poor gradually dissolved. An increasing share of wealth for the poor
and the laboring class was never a goal of mercantilist policy, and when
the welfare of the lower classes conflicted with commercial interests of
the state, it was the former that was sacrificed.

Attitudes Toward
Work and the Laboring Class

The importance of work and effort, so essential to the development
of western industrial society, received its first major impetus during the
mercantilist period. This emphasis on productivity represented a radical
departure from earlier societies. The mounting attention to work re-
flected in all the institutions of society after the Reformation was per-
haps the most significant psychological change since the Middle Ages.8
While concern with the importance of work did not originate in mer-
cantilist society, it was during this period that the ideology of work and
productivity assumed its central position in the life of western society.

The state and all the major forces of mercantilist life combined in
their support of labor and effort. Work was the duty of man before God.
Work was the source of national wealth and state power. Work was im-
portant for the stability of the nation, for idleness led to dissatisfaction,
crime, and social disturbance. Work was the basis of economic value and
the rationale for the ownership of property. Finally, work was the re-
ponsibility of man to his neighbor and the foundation of all moral and
socially useful conduct. Work was an end in itself, not merely a means of
obtaining satisfactions. Thomas More, the celebrated sixteenth-century
humanist philosopher, although antagonized by the materialism of his
day, made work the core value of his Utopia. All must contribute to the
ideal of work, and it was recommended that even leisure be given over
to work as that was “beneficial to the commonwealth.”7

It was the dominance of economic values in sixteenth-century thought
that provided an integrating force for the variety of emphases on the importance of work. The moral and social attributes of work became integrated with economic considerations.8 If the moral and economic aspects were separated at the beginning of mercantilism, as, for example, in More's writings, they coalesced by the time of the Puritan era. The mercantilist period inherited the medieval concept of labor value. Natural resources were important to a country, but it was labor that converted these resources into economic value, and it was upon labor that national wealth depended. Holland was held up as the model of a country with poor natural resources which had achieved great wealth through the exemplary industry of its inhabitants.

Both Petty and Locke in the latter half of the seventeenth century expanded the theoretical rationale of labor value. Petty recognized labor and land as contributing to production but attempted to reduce exchange value to the cost of the subsistence of the labor required in production.9 Locke maintained that the only worthwhile measure of value was the labor expended. The value of land he considered negligible, and capital represented labor incorporated in the past. Labor was the foundation of all ownership or property, according to Locke. It was the labor applied to what was formerly common property that justified the existence of private property. Locke's social contract theory assumed that the right of property preceded the social contract and was inviolate regardless of other modifications that might occur in the contract.10

Labor played the critical role with respect to the most important aspect of mercantilist policy, foreign trade. Since the labor forming the raw into the finished product was considered the basis of its increased value, a favorable balance of trade depended on the relatively greater amount of labor a country invested in the preparation of articles for export. The exportation of raw materials was a loss to the exporting country because it provided an opportunity for other nations to exploit the increase in value through their own labor of manufacture.

The encouragement of labor was thus of primary concern to the state. Apart from the political and social consequences of an idle and poorly cared for population, the state could not afford to see labor, its major source of wealth, not engaged in wealth-producing activities. By the middle of the seventeenth century the constructive employment of all labor was advocated as national policy. Work was suggested as the socially use-
ful punishment for all criminals, an idea that More had proposed a century before. This period was especially rich in schemes for organizing the unemployed into productive enterprises. Despite the singular importance of work, the effort of work was not looked upon by the laboring population as a particularly pleasurable activity. The new entrepreneur classes, who proclaimed the importance of work as the only acceptable way of life and the way to attain God's grace, did not foster an appreciation of work as an agreeable activity in itself. Work was a task and a duty, and its very unpleasantness assured its sacredness. Work was a discipline, not a satisfaction. The classical economists of the eighteenth and nineteenth centuries were to equate work with the renunciation of leisure and freedom of choice, but this was already recognized in the mercantilist era. While the entrepreneur classes found sufficient incentive directly from their material gains and ultimately from being among God's chosen, there was little to motivate the laboring classes beyond the pressure of starvation and the legal strictures of government policy.

The laboring classes saw little advantage in the freedom of trade espoused by the mercantile interests. Freedom from restraint or freedom to make the best bargain was an important right for the entrepreneurs, but workers were not given equal opportunities. Though the influential industrial and commercial groups impatiently strove to divest themselves of restrictive government policies, they did not favor similar freedom for workers. In fact, the state and its judicial machinery was regarded as an instrument for enforcing the duty of labor under the most advantageous conditions to the employer. Even if they had been totally unrestricted, it is doubtful that the laboring classes would have viewed the new society as optimistically as the merchants and manufacturers. The transition from a status society of established relationships to a contract society of fluid agreements offered few advantages to the lower classes. The latter arrangement gradually stripped the agricultural and industrial laborer of the security formerly provided by the status system and forced them to rely solely on the irregular employment patterns of the economic market. The development of an open economy was vitally important to the rising commercial leadership, and the possibility of the lower classes depending on the previous guarantees of support of manorial or religious com-
munitions would have seriously hindered the advance of the new economy.

The reluctance of the laborers to adapt to the new ideologies was a cause of much friction. The lower classes had not absorbed the new view of the importance of work but continued to regard work merely as a means of meeting subsistence needs. Frequent complaints were voiced by employers about the delinquent habits of workers. If workers earned enough in a short time, according to employers, they would refuse to continue, and if they earned a surplus, they would not work again until necessity required more earnings. These as well as other reasons provided the rationale for low wages.

Workers found little in the religious and economic ideologies of the sixteenth and seventeenth centuries to motivate them to extra exertion. There was little room in the class structure for upward mobility. In fact, attempts to live beyond their station were strongly discouraged. Education and other measures for improving the conditions of the lower classes were considered superfluous and wasteful. Employers insisted on the subsistence doctrine as wage policy and thus prevented any possible accumulation of enterprise capital by workers. While employers envisioned a new commercial world, their workers still thought in terms of the old system of mutual relationships of classes. It was some time before the lower classes accepted and became adjusted to the ideology of economic independence, and when they did, they were faced with the organized opposition of employers. In the mercantilist era, however, it was the employers who wished to free themselves of the traditional patterns of interdependence of the classes. The paternalism of the state and the upper classes was still clearly evident on many sides, and the resolution of the conflict between work and dependency was one of the major issues of mercantilist society.

The attitude of the dominant elements in society toward the lower classes underwent some fundamental changes between the sixteenth and the eighteenth centuries although the position of the lower classes remained extremely poor throughout this period. At the beginning the paternalistic attitudes of the upper classes and the policies of the government were more sympathetic and placed less stress on the shortcomings of the laborers as the cause of their condition. By the close of the seventeenth century the laziness and immorality of the lower classes were constantly
referred to and alleged to account for their inferior standard of living. At no stage were the lower classes considered full members of society with rights in any way comparable to other classes. They were looked upon as a rough, ignorant, and dangerous element who must be controlled. Their lot was assumed to be harsh, and the virtue of poverty in keeping the lower classes industrious was elaborated upon in the second half of the seventeenth century after the Puritan Commonwealth. Even in the prior period, however, those attitudes were prevalent, although not so clearly formulated.

While mercantilist policy favored the indirect arranging or guiding of individual interests so that they would be compatible with the interests of the state, this was not true of the treatment of the lower classes. Despite the sentiment against direct control of economic behavior, the host of regulations dealing with the laboring classes indicated no assumption that the laborer, like others in society, was a rational being whose interests might be “provoked, encouraged and allured” to conform to those of the state. These few reformers during the Commonwealth suggested the possibility of the poor rising through their own efforts to achieve the position of their superiors. Somewhat later, Defoe, although generally unsympathetic to the laboring classes, considered the advantages of a high wage policy as an incentive in contrast to the contemporary insistence on minimal subsistence. The prevailing attitude was represented by such cryptic statements as Mun’s in the 1660s that “penury and want do make a people wise and industrious” and Young’s in the following century that “everyone but an idiot knows that the lower classes must be kept poor or they will never be industrious.” These views of the lower classes were accentuated when unemployment or dependency was the subject of concern. Poverty came to be looked upon more and more unsympathetically during the mercantilist era. As one writer of the Commonwealth period remarked, “Better it is to die than to be poore.”

Causes of Poverty

Attitudes toward the laboring classes and the poor were reflected in contemporary views of the causes of poverty. Up to the end of the seventeenth century, despite the increasingly harsh feelings about the poor, poverty continued to be recognized as socially rather than indi-
vidually caused. Mercantilist policy assumed social responsibility
where earlier philosophies looked to divine determination of events. The
provisions for employment in the Elizabethan poor laws indicated one
of the prevailing sixteenth- and seventeenth-century beliefs—that unem-
ployment and its consequent poverty were due to insufficiency of avail-
able employment. In 1622 the first English commission for the study of
unemployment gave its major attention to problems of trade and methods
of improving and stabilizing the market for manufactured goods. Factors
affecting the economic market, such as foreign competition, wars, and do-

mestic manufacturing practices, rather than the habits of English labor
were stressed. The irregularities of commerce and the enclosure of agri-
cultural properties made sixteenth- and seventeenth-century England
conscious of the external forces influencing the livelihood of the laboring
classes.

Some recognized that the prevalent low wages kept the laboring popu-
lation so close to the edge of poverty that the moral failings of the poor
could hardly be held totally responsible for their condition. In the second
part of the seventeenth century Petty stated: “It is unjust to let any starve
when we think it just to limit the wages of the poor, so as they can lay up
nothing against the time of their impotency and want of work.”

By the time of the Commonwealth, a noticeable change in emphasis on
the causes of poverty could be observed. Though continued attention was
given to social factors, the impression was gaining ground that the causes
of poverty were in the poor themselves. At the end of the century the view
was widely held that it was not lack of employment but the laziness of
workers and their profligate habits that led to poverty. Defoe and others
were convinced that the poor preferred idleness and would pursue any
course but work to satisfy their needs.

The poor laws themselves were considered to have an important in-
fluence on the extent of poverty. By the beginning of the sixteenth century
any assistance to the poor was viewed as an encouragement of begging
and vagrancy. Voluntary charity was held particularly responsible, and
efforts were made both in England and on the continent to control
charitable giving. In time, the growing numbers of the poor despite the
poor laws led to the belief that the poor laws themselves rather than
economic conditions were responsible for the increase.

During the seventeenth century a variety of new schemes for dealing
with the poor were tried. These schemes attempted to accomplish the
dual purpose of relieving the poor and adding to the wealth of the na-
tion. There were efforts to reform earlier poor law policy, with which
there was so much dissatisfaction. The increasing emphasis on the short-
comings of the poor and the disillusionment with previous policies were
reflected in the harsher deterrent policies of the eighteenth century. Thus
the workhouse changed from a place of employment to a punitive mea-
ure for the discouragement of any reliance on public aid.

Class Relationships

The shift toward a commercial society already indicated by the changing
attitudes toward work and the laboring classes and the nature of poverty
was closely identified with the relationships between the laboring and
the privileged classes. As early as the beginning of the sixteenth century
Thomas More condemned the tendency of the landed gentry and even
“holy men and abbotts” to unify their estates at the expense of the small
landholders and tenants. “The tenants,” he wrote, “are turned out, and
by trickery or main force, or by being worn out through ill usage, are
compelled to sell their possessions.”¹⁷

More laid much of the social problems of the time at the door of pri-
ivate greed:

For when every man gets as much as he can for himself by one device or
another, the few divide the whole wealth among themselves and leave want to
the rest. The result generally is that there will be two sorts of people, and their
fortunes ought to be interchanged; one sort are useless, but ravenous and
wicked, while the other sort are unassuming, modest men who serve the pub-
lic more than themselves by their daily work.¹⁸

The developing concept of private property was of primary importance
to the relationship of the classes in the post-medieval world. Although
influential leaders in government under the Tudors and early Stuarts
struggled to maintain the previous system, they were overwhelmed by the
emerging social and economic forces. Ownership no longer indicated
merely the privilege of stewardship but signified the free use of pos-
sessions unencumbered by any sense of mutual dependency or communal
responsibility. The efforts of the government to force responsibility upon
employers or to limit enclosures showed that the previous bonds between
the wealthy and their dependents were rapidly dissolving. The national government through formal paternalistic policies tried to withstand the tide of disintegrating local relationships.

The laboring classes were being transformed into a wage-earning group, and although the worker continued to hold the employer responsible for his subsistence, the employer began to interpret wages as the price paid for a commodity of labor. The full impact of this change occurred in the eighteenth century, but the beginnings were felt in the seventeenth century. By the Commonwealth, it was said, "What does the merchant care, so that he be rich, how poor the public is? that the Commonwealth sink, so that he gets his profit?" There were those who bitterly opposed the prevailing tendencies and tried to maintain the traditional standards of morality and social responsibility against the pressures of economic self-interest.

The new entrepreneur class, with the support of a rigorously individualistic Protestantism, had little tolerance for a system of interdependent relationships. Their critics complained that the new religion had not been accompanied by the charitable tendencies that might be expected from a spiritual reawakening. In this regard Richardson remarked in 1653, "The Papists may rise up against many of this generation: It is a sad thing that they should be more foreward upon a bad principal than a Christian upon a good one." There were no strong countervailing forces. Before the Commonwealth the state had recognized the potential conflict of public and private interests and had exerted its influence in accommodating them. The state's intervention in internal economic affairs, however, had greatly waned by the second half of the seventeenth century, and the absence of any traditional social code of responsibility resulted in the practice of crude individualism.

Mercantilist Labor Policy

Economic policy affecting the low-income groups in the mercantilist era was focused on wages and population. The belief was prevalent that the nation's welfare was dependent on a system of low wages and the presence of a large laboring population. These two principles were, of course, opposite sides of the same coin. The major emphasis of mercantilist policy was on production; through increased production national
wealth and power would be enhanced. The production of large quantities of goods at low cost guaranteed success in foreign commerce. Since the mercantilists were not concerned with domestic consumption, they had little interest in maintaining purchasing power through adequate wages. In fact, all their thinking influenced the propagation of a low-wage policy.

The theory of low wages was supported by the assumption that only continual need would motivate laborers to work. Any increase in wages, it was believed, would result in lowering productivity. After satisfying their basic necessities, laborers would sink into idleness and immorality. Any desire for comfort or pleasure was frowned upon by the Puritans. This was particularly true for the lower classes, whose station made them unfit for any of the relaxations permitted the more select.

Low wages thus kept up the national productive power, gave the English manufacturer an advantage over his foreign competitors, and preserved the morality of the nation. They also had the advantage of limiting imports into England. The lower the purchasing power of the population, the less the demand for foreign wares. It was preferable for domestic products to be consumed by foreign than by native purchasers. From all points of view, the lowest possible subsistence level for the lower classes seemed logical. William Petty, one of the major economic spokesmen of the period, believed that if any surplus were produced, it should be stored in granaries rather than "abused by the vile and brutish part of mankind to the prejudice of the commonwealth." It was not until the passing of mercantilism that the ideas of either high wages or increased domestic consumption took root.

Mercantilist population doctrine was closely related to its low-wage policy. A large laboring population was considered the foundation of national wealth. The existence of low wages relied on a surplus of labor, because a scarcity of labor would place workers in an advantageous bargaining position. If, as already noted, the main source of economic value was the contribution of labor to production, then the larger the laboring population, the greater the potential wealth. At the very beginning of the mercantilist period greater emphasis was probably given to the military rather than to the economic advantages of a large population, but the latter soon took precedence.

The mercantilist emphasis was essentially on the quantity and indus-
triousness of the population. Although the mercantilist state tried to attract skilled foreign labor and was anxious to preserve its own supply, all labor was generally regarded as equal, and the emphasis was on increasing their numbers and maintaining their industriousness rather than on the development of a more highly skilled group. Size of population was considered of such vital significance that a direct relationship was frequently drawn between the wealth of a country and the numbers of its laboring population.

The doctrine of a large laboring population was not attended by any consideration for the provision of employment. The balance between population and employment was rarely achieved. Mercantilist thinkers were constantly concerned about surpluses or scarcities although they had little rational evidence for either. The only approved remedy for a surplus population was colonization because that would benefit no competing nations and would, if properly directed, be a source of wealth to the mother country. That was to be a source of conflict with the American colonies. The negotiations between the colonies and the mother country provided many examples of artful attempts by the colonists to use mercantilist population doctrine for their own ends. For example, Benjamin Franklin pointed out:

Thus there are suppos'd to be now upwards of One Million English souls in North America . . . and yet perhaps there is not one the fewer in Britain, but rather many more, on Account of the Employment the Colonies afford to Manufacturers at Home. This Million doubling, suppose but once in 25 Years, will, in another Century, be more than the People of England, and the greatest Number of English men will be on this Side of the Water. What an Accession of Power to the British Empire by Sea as well as land! What Increase of Trade and Navigation! What Numbers of Ships and Seamen!

Stability and Property

Social stability and the advancement of property were two major though not always harmonious poles of mercantilist economic policy. The conflict between them was finally resolved in the nineteenth century when property values became the primary focus of national policy. Mercantilism bridged the gap between the medieval and the modern world, and during its era there occurred marked and rapid changes in all aspects of life—social, economic, religious, and political. The emphasis on social stability,