

ROUTLEDGE EXPLORATIONS IN ECONOMIC
HISTORY

The Political Economy of Mercantilism

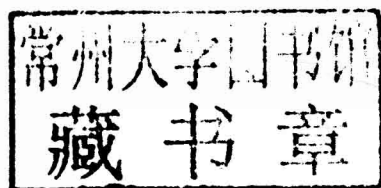
Lars Magnusson



ROUTLEDGE


The Political Economy of Mercantilism

Lars Magnusson



First published 2015
by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN
and by Routledge
711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

© 2015 Lars Magnusson

The right of Lars Magnusson to be identified as author of this work has been asserted by him in accordance with the Copyright, Designs and Patent Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging-in-Publication Data

Magnusson, Lars, 1952–

The political economy of mercantilism / Lars Magnusson.

pages cm. – (Routledge explorations in economic history)

1. Mercantile system. I. Title.

HB91.M28 2015

330.15'13–dc23

2014049457

ISBN: 978-0-415-82879-6 (hbk)

ISBN: 978-1-315-69451-1 (ebk)

Typeset in Times New Roman

by Wearset Ltd, Boldon, Tyne and Wear



Printed and bound in Great Britain by
TJ International Ltd, Padstow, Cornwall

Preface

What I mentioned as a reason for writing *Mercantilism: The Shaping of an Economic Language*, published in 1994, still seems pertinent. First, that although many attempts to once and for all outroot the concept of Mercantilism had been made, the term remains to be used in depicting the intellectual, economic and political environment of Early Modern Europe. Hence, there is a continuing need to discuss its meanings and implications. Second, the concept of Mercantilism has remained open for misuse. Despite many attempts by modern researchers to replace the old interpretation built on Adam Smith's classical definition, it remains painfully powerful. Perhaps this is because it became so very useful in the nineteenth century in order to contrast industrial protectionism based upon – as it was characterised by its opponents – the erroneous mercantilist theory with liberal economics of free trade. Hence Mercantilism became a doctrine and a theory based on the notion that wealth was money, and therefore the main economy policy goal was to achieve a favourable balance of trade. Many still believe in this too-simplistic theory.

Instead of depicting it as a coherent doctrine, I rather seek to define Mercantilism as a set of discourses appearing in the Early Modern period, roughly between the sixteenth and eighteenth centuries, that discussed how national power could be achieved by economic plenty, but also how plenty was dependent upon power. On this basis, a series of discussions opened up in several countries in Europe which touched upon economic subjects, including foreign trade, money, manufactures, interest rates and so on. Hence, Mercantilism was a form of 'bellicose political economy' in an era of fierce commercial and national competition; however, Mercantilism was more than that. Over time the economic discussions led to new insights and conceptualisations: for instance, that foreign trade was not merely a zero-sum game, but that competitive edge as well as national wealth could be achieved through the introduction of manufactures and higher added-value production; moreover, that a commercial economy had laws of its own and that demand and supply was its main regulating mechanism.

This book has a different title to my previous one. But the difference between the two books goes deeper than that. While using parts of the material that appeared in the earlier version – while at the same time adding much that is new – an attempt here has been to widen the perspective. While the 1994 version to a large extent focussed on the shaping of an economic language, this book is additionally more deeply concerned with the political economy of Mercantilism and how the entanglements of a competitive commercial economy shaped ideas and discourses. This does not imply an epistemological turnover from my part. As I will hopefully show, I remain critical to attempts to reduce discourse to a mere mirror of ‘real’ events. Without doubt, discourse and language have their own roles to play. However, it is the interplay between discourse and reality that is my main interest here.

The book is dedicated to all those who have given opinions on the earlier version of the book, as well as those who over the years have been willing to discuss its various themes with me in seminar rooms or lecture halls in Europe, the United States and Japan.

Lars Magnusson
Uppsala, December 2014

Contents

<i>Preface</i>	x
1 Introduction	1
2 Debates on Mercantilism	15
3 Plenty and power	54
4 The favourable balance of trade	100
5 The 1620s debates	133
6 A new science of trade	173
7 Then what was Mercantilism?	217
<i>Index</i>	225

1 Introduction

It was certainly a cry too far when, in 1980, the British economic historian D C Coleman argued that Mercantilism was not only a 'red-herring', but also a 'non-existent entity' lacking coherence both regarding theory or practice and policy. On the contrary, it seems more conducive to argue that it contained at least as much coherence and that it is useful to use the concept still.¹ Moreover, it is not off the mark to claim that it proposed at least *some* propositions regarding the *modus operandi* of an Early Modern economy in Europe. Also, it makes sense to use the word Mercantilism, or the 'mercantile system', in order to depict *some* parts of political practice, a political economy during the same period. As we will see, 'mercantilist' writers were often unsystematic in their thinking, and in policy matters the mercantilist politicians were not always very consequent. But that does not mean that they were merely pragmatists who invented ideas and policies off the back. Historical actors in fact seldom do. They are seldom without ambition or lacking an ability to reflect upon their whereabouts. Nor are their policies completely unsystematic or mere *ad hoc* responses to a confusing outside world.

To the extent that the concept of Mercantilism is accepted at all, another peculiar feature in the dwindling discussions on 'what it actually was' – which we will discuss in more depth – has been to treat it as either a theory *or* a practical policy and regulation. This undoubtedly has a historical pedigree. In the early 1930s the Swedish economic historian Eli F Heckscher published a two-volume treatise on Mercantilism in which he treated it as both practice (economic policy) and theory (the favourable balance of trade, etc.), but also as a worldview (secularism, materialism).² Ever since, many have been sceptical towards Heckscher's synthetical ambitions. However, in my view, it is fruitful to understand Mercantilism as both theory (or rather language as we will argue later on) and practice. Without doubt there are also connections between the practical and theoretical aspects of Mercantilism. But the relationship is

2 Introduction

of course complex. Theory cannot be seen as automatically reflecting the level of practice, nor does policy mirror theory in any immediate sense. Thus, language and theory as well as policy have a certain autonomy. At the same time they are deeply entangled.

In the following I will argue that Mercantilism might be as useful a concept as any other in order to try to make generalisations of language and ideas, but also of political practices in Europe roughly during the sixteenth to eighteenth centuries. First, I will discuss how a series of European policies developed during this time in order to handle and understand what, in the mid-eighteenth century, David Hume called 'jealousy of trade', or reason of state by economic means, in a world of trade competition where such means and power politics were deeply intertwined. This is also the time and birthplace of the modern state – as formulated by Gustav Schmoller in his foreword to his *Studien über die wirtschaftliche Politik Friedrich der Großen* (1884)³ – which also is reflected in the policies pursued. Second, I will discuss how a language of the modern market economy was developed during approximately the same time period in order to make such a world of new challenges and possibilities intelligible and possible to handle. This language reflected how the market economy operated and how it was constructed. Hence, while they sought to understand how the price system worked or what factors triggered the interest rates or trade balances to rise or fall, the economic writers of different nationalities were also constructing a basis for our own present theories of the market economy.

Mercantilism

In his seminal *Predecessors to Adam Smith*, E A J Johnson labelled 'mercantilism' an 'unhappy word'.⁴ Hence, the word 'mercantilism' has been used in a number of confusing ways and for many different designs. As reaching a common agreement with regard to the interpretation of Mercantilism has been difficult, discussions dealing with this phenomenon have often been blurred. For Adam Smith, as well as for nineteenth-century opponents of the 'mercantile system', such as the classical political economists J R McCulloch and Richard Jones, it was the confusion of wealth and money made manifest in the favourable balance of trade theory that gave the system its coherence. Moreover, it was this idea that once again reappeared in the 1930s with Jacob Viner.⁵ In the late nineteenth century such historical economists as Wilhelm Roscher and Schmoller instead turned Mercantilism into a doctrine of state building, which originated during the Early Modern period in order to bolster a weak state: the transformation from a 'territorial' to a 'national' state.⁶ As in Heckscher's studies, the meaning of Mercantilism was expanded even further – as noted above.

More precisely, it was after Smith that Mercantilism was constructed into a more or less coherent 'system'. Gradually, and on the basis of Smith's interpretation in the *Wealth of Nations*, it was constructed as an opposite to the 'Smithian' or 'free trade' system.⁷ By 1840 its most distinct policy feature was depicted as protectionism and state regulation of the economy. Such a view was even more enforced in the debates concerning the British Corn Laws and their eventual demise in 1846.⁸ However, as we will return to this, it is certainly wrong to describe all mercantilists as protectionists in a modern or even a nineteenth-century sense. Moreover, it is also wrong to characterise Smith as a doctrinaire free trader – as was done after 1846 by the followers of Richard Cobden and the Manchester men.⁹ There were certainly important differences between Smith and the mercantilists, but these were overemphasised during the nineteenth century.

It is commonly known that the term *système mercantile* first appeared in print in de Mirabeau's *Philosophie Rurale* in 1763.¹⁰ It was referred to in a passage in which de Mirabeau overtly attacked the idea that a nation may profit from importation of money. As Smith had apparently read *Philosophie Rurale*, it is not at all unlikely that he picked up this term from this book.¹¹ However, de Mirabeau was not the first to use the term. It was in use in the discussion on political economy within the so-called Gournay circle some years earlier. In the French discussion it referred back to the eighteenth-century French finance minister Colbert and his 'system' of trade and manufacture protection.¹² Regardless, it is with Smith that the 'mercantile system' gained its worldwide reputation. In his famous the *Wealth of Nations*, Smith devoted a very long chapter to delineate the characteristic features of this 'system'.¹³ According to Smith its kernel was the 'popular' fallacy to confuse wealth with money. Smith does not directly accuse Thomas Mun and other mercantilists for this fallacy. On the contrary, he explicitly pictures Mun as an opponent of the old medieval policy in England of forbidding the export of money. Instead, Mun's main error lies (according to Smith) in that he continued to use this popular bullionist image although he ought to have known better. Whether this error originated for opportunistic reasons (i.e. a conspiracy against the public interest in order to pursue a special interest) we will never know. However, the main point is that those who have read Smith have rarely noticed this error. At least according to Joseph Schumpeter, Mun intentionally used the bullionist image; Smith insinuated this connection, according to him, 'in such a way that his readers cannot help getting the impression, which has in fact become very general'.¹⁴

Thus, most of Smith's readers would be tempted to draw a direct line between protectionism and the doctrines of Mun. Smith of course

emphasised the devastating consequences of a system of regulation and protection. In several instances he pointed out that such a system was self-defeating as well as erroneous. Thus, instead of extending trade and manufactures, the system most often led to the opposite. Furthermore, those who gained through the system were not the general public but the monopolistic merchants and manufacturers who could increase their capital. In fact, Smith implied that the whole 'commercial system' at its core was a giant conspiracy led by powerful interest groups pursuing their own selfish interests. However, Smith's feelings towards the merchants and manufacturers were rather mixed; it was also well known that he vigorously supported them against the physiocratic accusation that their activities were 'sterile'. Furthermore, the increase of such activities was an inherent part of Smith's historical stage theory of economic development.¹⁵ Moreover, Smith was sometimes prone to defend such typical 'mercantilist' institutions as the Navigation Acts, and he believed that free trade as a general principle was a utopia that would not be fulfilled in his lifetime, perhaps never.¹⁶ That Smith found it difficult to make up his mind is obvious when he, in the final paragraph of the chapter, concludes:

It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been so entirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects.¹⁷

According to Smith, the view of the mercantile system 'as an agglomeration of commercial interferences fortified by a monetary folly' was carried further in Britain by classical political economy.¹⁸ It became commonplace for economists such as Nassau W Senior and John Stuart Mill to ascertain that protectionism stemmed from the defunct 'surviving relic of the Mercantile Theory' (Mill) that money was the only form of wealth.¹⁹ Auguste Blanqui, in France, and McCulloch, in Britain in particular, helped to reinforce the notion of a 'mercantile system' along the lines of Smith.²⁰ In his preface of the 1828 edition of Smith's *magnum opus*, McCulloch especially pointed out that this system implied that

the wealth of individuals and of states was measured, not by the abundance of their disposable products – but by the quality and value of the commodities with which they could afford to purchase the precious metals – but by the quality of these metals actually in their possession – And here the policy, as obvious as it was universal, of attempting to increase the amount of national wealth by

forbidding the exportation of gold and silver, and encouraging their importation.²¹

And in another paragraph:

Mr Mun lays no stress whatever on the circumstances of foreign commerce enabling us to obtain an infinite variety of useful and agreeable products, which it would either have been impossible for us to produce at all, or to produce so cheaply at home. We are desired to consider all this accession, wealth ... as nothing – and to fix our attention exclusively on the balance of £200 000 of gold and silver.... And yet Mr Mun's rule for estimating the advantage of foreign commerce, was for a long time regarded, by the generality of merchants and practical statesmen, as infallible.²²

Hence, already with McCulloch, we find everything traditionally attached to a full-fledged mercantile system: the bullionist fallacy as well as protectionism. In line with Smith, McCulloch was ready to admit that Mun's *England's Treasure by Forraign Trade* was 'a considerable step in the progress to sounder opinions'.²³ However, Mun could not help but fall victim to popular delusions which – as he said elsewhere – 'have been so widely spread ... and of few have the consequences been so disastrous'.²⁴

Among other writers who helped to establish the view of a 'mercantile system', particularly Jones stands out.²⁵ It is ironic that he, as a historical economist, helped to establish a definition of Mercantilism, which later historical economists sought to dismantle. Certainly, in his lectures on political economy at King's College London after arriving there in 1833, he aimed to develop a more scientific approach to the subject including – as he said in his inaugural lecture when entering the chair at King's in 1833 – tracing 'the deep-seated causes of long chains of events in the history of nations'.²⁶ Here he also spoke on 'the errors and wanderings of our forefathers', which consisted in the belief that bullion was 'the only species of wealth which really served the name'. Hence,

Countries which could not produce gold and silver profitably from their mines, could only procure them by foreign trade: to manage foreign trade, so as to keep gold and silver constantly flowing, and then to keep them fast, were therefore supposed to be the only arts by which a nation could be enriched.²⁷

However, it was in his famous contribution for the *Edinburgh Review* in 1847 on 'Primitive Political Economy of England' that Jones began to

6 Introduction

talk about specific 'systems' of political economy and thought. Up until the seventeenth century, a specific bullionist 'balance of bargaining system' prevailed. The aim of this system was to bring silver and gold into the country and to prevent it from leaving again. This was foremost achieved through the two famous 'statutes of staples and employment' already from the Late Middle Ages in England, which explicitly forbade foreign salesmen to take money or bullion out of the country. However, due to pressures achieved by increased trade and from an increase of the social and political power of merchants – but not from 'the prevalence of scientific notions', Jones informs us – this system gradually changed during the sixteenth century. Thus, in the next century a new 'system' emerged: balance of trade. The object remained the same – to hinder an outflow of money – but new means were applied. And according to Jones, the chief promoter of this new system was the 'eminent merchant of London', Mun.²⁸

Hence, also Jones saw the confusion between wealth and money as the main driving force behind mercantilist policies. He, for example, made the following forceful assertion, which for a long time influenced popular notions of Mercantilism:

Whoever has heard of Adam Smith, has heard of the almost romantic value which our ancestors set upon the possession of the precious metals; yet few persons are acquainted with the singular processes by which they sought to bring home the golden fleece, or with much more than the names of the early writers who had the honour of first enlightening their countrymen on the true nature of this Midas folly.²⁹

The hero of this tale was of course Smith, who together with 'Galiany [*sic*], Quesnay, Harris and Hume had been able to unveil ... the fallacy which so long received the blind homage of mankind'.³⁰ He stated that most past economic writers had been blinded by the Midas fallacy. Even Charles Davenant – it is certainly a misnomer when he here adds 'not surprisingly' – is made the victim of 'the faith that bullion alone constituted wealth'.³¹

Needless to say, this conceptualisation of Mercantilism has been thoroughly criticised, especially during the twentieth century. However, the Smithian idea of a 'commercial system' gradually emerged and turned into a dogma during the early nineteenth century. For the kind of *laissez-faire* economics that developed during this period, the notion of a system of protection relying on the child-like Midas fallacy obviously served its purpose. That this dogma was strongly cemented is evidenced by, for example, its repetition in 1888 by John K Ingram, who took a rather sympathetic view of the mercantilists:

'The mercantile doctrine, stated in its most extreme form, makes wealth and money identical'.³²

Language

During recent decades, the writing of the history of economics has taken a different turn. Writers have attempted to move away from a history of economic ideas and analysis to the history of economic language or discourse. In several cases this has implied a rigorous critique of a methodology which still – it is fair to say – dominates much mainstream history of economic thought.³³ Within this tradition, a majority of writers – often economists by training – have treated their subject as a history of economic 'analysis' rather than of 'vision' – to use Schumpeter's famous distinction.³⁴ This implies that they have emphasised the development of economics as *primarily* an 'internal' affair: the successive development of knowledge and the gradual perfection of theories and analytical instruments. The late Mark Blaug was an outstanding example of such an approach. In 1968 he wrote,

it must be insisted [that] great chunks of history of economic thought are about mistakes in logic and gaps in analysis, having no connection with contemporary events. And so... I have tried to write a history of economic analysis which pictures it as evolving out of previous analysis, propelled forward by the desire to refine, to improve, to perfect, a desire which economists share with all other scientists.³⁵

Such an 'internal' approach – a history of economic doctrines in the form of 'tooled knowledge', as Schumpeter called it³⁶ – of course has certain advantages. It is clear that a history of economic texts, to some extent, must deal with how new ideas appear and how discussions among experts lead to the perfection of concepts and analytical tools. However, this methodology poses a more problematic side. It often implies a neglect of the historical dimension of ideas and doctrines and is often anachronistic. More seriously, this methodology suggests that old economics is treated and made intelligible from the standpoint of modern economics. Following from this, the construction of doctrinal development serves the implicit or explicit task to defend modern theories. And it was this history of economic ideas that the historical economist William J Ashley scornfully attacked as 'a museum of intellectual odds and ends, where every opinion is labelled as either a surprising anticipation of the correct modern theory or an instance of the extraordinary folly of the dark ages'.³⁷ As a consequence of such a methodology, economic writers who

were largely unknown and hidden in their own time are put at the forefront. As ideas are interpreted in the light of modern theorising, this methodology further leads to these ideas holding quite different meanings than originally articulated. Certainly, if one is interested in the historical significance of specific ideas or doctrines, they can only be understood within their proper historical context. Thus, reading history backwards leads to historical dimensions becoming lost.

In literature on the history of economic doctrine, such unhistorical procedures are customary. This is perhaps not strange as the method to read intellectual history backwards has a great past with famous exponents. An early example was when David Ricardo, Mill and McCulloch appropriated Smith for their own creation, 'classical political economy', while neglecting to mention that Smith's style and methodology were quite different from theirs.³⁸ Another undoubtedly anachronistic writer was Lord Keynes, who in Chapter 23 of his *General Theory of Employment, Interest and Money* (1936) reinterpreted seventeenth-century Mercantilism in order to fit it into his own approach. K Marx is another example, as he constructed a line of intellectual development that connected W Petty, Smith and Ricardo with himself – in order to point out the revolutionary impact in economic theory of the labour theory of value.³⁹

To move from such a position to a history of economic discourse implies a radical shift towards a more historical reading of economic texts. In the general history of intellectual ideas, such a turn has been especially emphasised by the so-called Cambridge School of Intellectual History. Hence, scholars such as Quentin Skinner, James Tully and John Pocock have stimulated an increased interest in historical reading of texts. The idea is to pay attention to the historical context in which texts are formulated. Even more pertinently, the members of this school have suggested that we take a closer look at the performance level – inspired by linguists such as John L Austin and ultimately the philosopher Ludwig Wittgenstein – instead of putting all emphasis on the intentions of writers and/or their social environment.⁴⁰ Hence, according to Skinner, we need 'to find the means to recover what the agent may have been *doing* in saying what was said, and hence of understanding what the agent may have meant by issuing an utterance with just that sense and reference'.⁴¹ In the same manner Pocock has stressed that in order to understand what a certain author 'is getting at' we must not only recognise what an author is doing, but also try to recognise the specific discursive tradition he is involved in. This means recovering a specific language and treating our author 'as inhabiting a universe of *langues* that gives meaning to the *paroles* he performs in them'.⁴² Thus, according to Pocock, it is the historian's task to learn to read and recognise the

diverse idioms of (as in this case, economic) discourse 'as they were available in the culture and at the time he is studying'. As any discourse, or language, betokens a specific political, social or historical context within which it is itself a situated language, it also 'selects and prescribes the context within which it is to be recognized'. Language is self-reflective; it supplies the categories, grammar and conceptual framework through which experience is articulated.⁴³

This does not necessarily imply that we prescribe an elevated ontological status to 'language'. We do not have to reduce an author to be 'a mere mouthpiece of his own language'.⁴⁴ Instead, the relation between language and experience is processual and interactive. Furthermore, due to pressures from outside, languages change. When language is used in communication, the *paroles* will necessarily eventuate modifications and change of language itself.⁴⁵ Such an interactive and processual relationship between language and practice is also emphasised by modern social science scholars' (such as Anthony Giddens 'structuration theory' and Marshall Sahlins) discussion on European encounters with the 'other' in the Early Modern period.⁴⁶

To discuss Mercantilism as a language, as discursive practice, has some important consequences. First, it questions the statement that has been made – as we will see – that Mercantilism was never a 'living doctrine' or a 'coherent set of principles'. Certainly, if such a 'doctrine' is an agreed on set of principles and solutions building on a common methodology – a box of theoretical and methodological tools – it is perhaps right to say that the mercantilists never shared such a doctrine. However, nobody with at least some first-hand knowledge of the immense economic literature from the early seventeenth century onwards can avoid grasping their common ground. After all, authors such as Mun, Edward Misselden, Josiah Child, Nicholas Barbon, Dudley North and Davenant all struggled with the question how the nation could grow rich, what constitute the riches of a country, the importance of money and so on. Moreover, not necessarily in agreement, they used a common vocabulary of concepts and discussed a specific set of questions and issues. Thus, it is clearly a mistake to argue (as by A V Judges, Coleman and others, as we will see) that the mercantilist 'school' had no 'priest to defend it'. This is true only if we define 'school' in a very restricted way. If we instead regard Mercantilism as language and discourse, we can certainly identify a common terminology and traces of answers to a certain set of questions.

* * *

As we will discuss more thoroughly in the next chapter, the debates on Mercantilism and its interpretation have to a great extent circled the question of how to relate mercantilist texts to economic 'reality'. Thus,

Heckscher took the extreme position that mercantilist ideas – and policies – did not rely on any ‘true’ empirical knowledge of economic reality whatsoever.⁴⁷ As a reaction to this, a number of economic historians – as we will see – instead tried to explain the peculiarity of mercantilist thinkers by referring back to specific conditions that prevailed during the Early Modern period. However, to perceive ‘mercantilist’ texts as pure reflections of economic reality is without doubt to fall into the reductionist trap. It is certainly difficult from this point of view to make intelligible why the same kind of ideas seems to have sprung out of widely different economic, political and social environments.⁴⁸ Quite clearly, ‘mercantilist’ ideas were applied to a number of different practical problems in different socio-political frameworks. Therefore, it is difficult to make sense of such suppositions – as for example made by Schumpeter⁴⁹ – which underline that the mercantilist literature should be regarded primarily as a commonsense response to practical problems. After all, also ‘commonsense’ responses have their own discursive rules of the game, which any author must adhere to in order to be rightly understood. We can conclusively not understand writers such as Mun if we do not see that they put forward simplified models or visions of how they believed that what we today would call the ‘economic’ or ‘market’ system operated in a general sense (this does not mean that they perceived it as a ‘system’ in our sense of the word). Certainly they did not simply ‘describe’ economic reality in any mechanical sense. Simultaneously they also invented and constructed the very same categories by which they can make their complex reality intelligible.

Moreover, it is clear that the seventeenth century saw the emergence of what the cultural historian Peter Burke has called ‘literal mindness’.⁵⁰ It included an increasing awareness of the difference between literal and symbolic meanings, but also the replacement of a more concrete form for a more abstract one. Thus paradoxically, the seventeenth century saw the emergence of empiricism at the same time as abstract and general categories were increasingly introduced. Certainly, the economic literature during this period heeds to this increasing tendency to use more complicated categories and base arguments upon stylised facts. Especially the use of stylised facts and abstract categories stands out in this context. Hence, to talk of ‘commonsense’ in this context is to conceal a very important historical process of cultural and discursive change that took place during this period.

Consequently, the relationship between economic texts and the contemporary economic ‘reality’ is very difficult to disentangle. As part of a specific discourse, they inhabited their own territory and followed their own set of rules. The *paroles* of their discourse were uttered through a specific *langue*, which provided special significance and

meaning. As the 'economy' is an intellectual construction and cannot be detected in 'reality', it also designated its own privileged territory. As we argued previously, this does not mean that mercantilist language was unaffected by the tensions and developments of an outside reality. Rather, we once again stress the interrelationship between language and such 'realities'. However, this most certainly implies that it is impossible to reduce the 'mercantilists'' visions and ideas to be a mere mouthpiece of a reflective 'reality'. This relation is certainly much more complicated to trace.

Languages, no doubt, are put together by inherited concepts, words, intellectual tools and artefacts. To the same extent they make up their own rules. But, simultaneously, they are used for communication purposes. This implies that, to the extent that the 'realities' confronted by language change, language must change too. But this may take some time. Therefore, old interpretations of concepts are used alongside new interpretations – until the dissonance becomes too obvious.

A last point to mention in this brief introductory is that the debates concerning Mercantilism since Smith have been seriously dogged by attempts to define it as a very specific piece of economic policy. Smith thus blamed the 'mercantilist' writers for protectionism, monopolistic devices and corruptive economic policies. Such a 'selfish national commercial policy of a harsh and rude kind', in Schmoller's words, could all be traced back to the same source.⁵¹ Its cause was the popular Midas fallacy of believing that money was the same as wealth, which Mun and his followers had not been able to see through. Heckscher blamed the prejudice upon a 'fear of goods'. Basically, however, also Heckscher was ready to define Mercantilism as a system of policy: as protectionism in a very general sense. According to him, Mercantilism turned out to be a commonsense answer to a timeless set of economic problems which emphasised economic nationalism and protective measures. This is primarily the reason why he so strongly pressed the viewpoint that Mercantilism had nothing to do with economic reality whatsoever.

However, economic ideas constitute only one of many factors behind the formulation of concrete policies. It is certainly a mistake to ascribe a total primacy of doctrines or ideas over policies. Not least the more recent discussion with regard to British economic history has accomplished much in clearing up missapprehensions of this kind. Thus, it has been emphasised that it is wrong to see Mercantilism as *mere* economic policy. Most of this literature cannot be regarded as mere defence of protectionism or of the traditional regulative policies which princes and rulers pursued during the seventeenth and early eighteenth centuries. Quite on the contrary, many of the mercantilist writers were highly critical of such policies. We can here refer to Barbon, Child, Davenant or William Petyt