

print for several years. Since it is the only existing
hensive study in its field and, for some fifteen years,
n used as a textbook in economic history all over the
a World, the publishing of a new and revised edition
n planned for some years. At his death in December
rofessor Heckscher had almost finished his revision.
der to keep down the cost of the new edition the text
been reset. Minor alterations have been made, and
cases whole chapters have been rewritten, e.g., the
on power as the main objective of mercantilist
ic policy. But in most cases the amendments are to
d at the end of each of the two volumes. This enables
der to compare Heckscher's original interpretation
later conception; and as the *addenda* generally give
ons for the reinterpretation there can be little doubt
s greatly enhances the value of the revised edition
scholarly reader.

her interesting addition is a chapter on Lord Keynes
ercantilism. To a very great extent Lord Keynes's
tation of Mercantilism, as given in his *General
of Employment, Interest and Money*, was based on the
tion of Heckscher's book. On many points Heckscher
ot accept this interpretation; his criticism of it should
eat interest not only to economic historians but also
omists, as it to some degree implies a criticism of the
of the Keynesian theory and points out the limita-
its applicability as a general economic theory.

**SERVANTS OF INDIA SOCIETY'S LIBRARY,
POONA 4**

CL. No. **X5.5.M**

Date of release for loan

Ac. No. **85246**

65;15.1

5 SEP 1962

This book should be returned on or before the date last mentioned below.

Failure to comply will involve cancellation of the Borrower's Card and forfeiture of deposit.

27 JUL 1977

27 JUL 1977

5 AUG 1977

5 AUG 1978

SEP 1979

7 AUG 1981

2-4 83

26 18

17 AUG 1993

MERCANTILISM

Dhananjayrao Gadgil Library



GIPE-PUNE-085246

MERCANTILISM

by

ELI F. HECKSCHER

Authorized Translation

by

MENDEL SHAPIRO

Revised Edition Edited

by

E. F. SÖDERLUND

VOLUME ONE

LONDON : GEORGE ALLEN & UNWIN LTD
NEW YORK : THE MACMILLAN COMPANY

First published in Swedish in 1931

*The English translation, prepared from the German edition and
revised by the author, published in 1935*

Revised 2nd Edition 1955

*This book is copyright under the Berne Convention.
Apart from any fair dealing for the purposes of
private study, research, criticism or review, as per-
mitted under the Copyright Act 1911, no portion may
be reproduced by any process without written per-
mission. Enquiry should be made to the publisher.*

© George Allen and Unwin Ltd., 1935

X5.5.M

G5; J5.1

85246

PRINTED IN GREAT BRITAIN
BY BRADFORD AND DICKENS
LONDON W.C.1

"The Kingdom of Heaven is compared, not to any great Kernel or Nut, but to a Grain of Mustard-seed; which is one of the least Grains, but hath in it a Property and Spirit, hastily to get up and spread. So are there States, great in Territory, yet not apt to Enlarge or Command; and some, that have but a small Dimension of Stem, and yet apt to be the Foundations of Great Monarchies."

BACON, *Of the true Greatnesse of Kingdomes and Estates* (1625)

CONTENTS

	PAGE
PREFACE	13
NOTE	18
INTRODUCTION: THE ARGUMENT	19
Definition of the subject 19.—Its various aspects 21.—	
Representatives of these aspects 28.	
PART I	
<i>Mercantilism as a Unifying System</i>	
I: THE HISTORICAL BACKGROUND	33
Universalism 33.—Particularism 35.—“Feudal” disintegration 38.—Municipal policy 39.—The force of inertia 40.—Exemplification of the effect of unification 41.	
II: THE DISINTEGRATION OF THE TOLL SYSTEM AND THE EFFORTS TO OVERCOME THE CONFUSION	45
1. INTRODUCTION	45
2. ENGLAND	46
Comparative insignificance of road and river tolls 45.—	
Turnpike roads 49.—Municipal dues.—National customs system 51.—Tolls between different parts of the country 52.—Results: enormous mobility 55.	
3. GERMANY	56
<i>furiosa Teutonicorum insania</i> 56.—The medieval situation 57.—Public measures 61.—Imperial authorities 61.—Private action 65.—The territorial states 66.—Austria 69.—Brandenburg-Prussia 70.—Würzburg-Bamberg 76.—Bavaria 76.—Summary 77.	
4. FRANCE	78
Her intermediate position 78.—Road and river tolls 79.—Public tolls 87.—Export duties 89.—Import duties 92.—Local disintegration 93.—Colbert’s achievements 102.—Reforms after Colbert 106.—The position in 1789 107.—Comparison with Germany 108.	
III: THE STRUGGLE AGAINST LOCAL DISINTEGRATION IN OTHER SPHERES	110
1. INTRODUCTION	110
2. WEIGHTS AND MEASURES	111
3. COINAGE	118
4. OTHER SPHERES	124

	PAGE
IV: THE IMPORTANCE OF THE CHANGE FROM MUNICIPAL TO NATIONAL POLICY	128
V: THE INTERNAL REGULATION OF INDUSTRY IN FRANCE	137
1. THE LEGAL VICTORY OF THE STATE OVER PARTICULARISM	137
2. THE GILDS AS THE PRINCIPAL AGENT IN THE REGULATION OF INDUSTRY	140
The 1351 decree 141.—The expansion of the gilds 142.— The edicts of 1581, 1597 and 1673 145.—Mobility of labour 147.	
3. THE ADMINISTRATIVE MACHINERY OF THE STATE. THE PAR- LIAMENTS	152
4. THE CONTENTS OF THE REGULATIONS. THE "RÈGLEMENTS"	157
Uniformity 157.—Regulations 160.—Control 162.— Penalties 164.—Lack of originality 165.	
5. THE APPLICATION OF THE SYSTEM IN PRACTICE	166
Ineffectiveness of the regulations 166.—Arbitrariness 168 Attacks on innovations 170.—The exclusiveness of the gilds 175.—The mania for litigation 176.	
6. THE FISCAL SIDE OF INDUSTRIAL POLICY	178
7. THE PRIVILEGED INDUSTRY: MANUFACTURES. FRENCH RESULTS COMPARED WITH THE ENGLISH	184
Artistic handicraftsmen 184.—The differences between manufacture and handicraft 186.—Luxury industry 189.— England's lead 193.—The quantitative superiority of France 199.	
8. RURAL INDUSTRY	203
9. ATTEMPTS AT REFORM IN THE 18TH CENTURY. THE POSITION AT THE OUTBREAK OF THE REVOLUTION	212
VI: THE INTERNAL REGULATION OF INDUSTRY IN ENGLAND	221
1. COMPARISON WITH THE CONTINENT	221
2. UNIFIED REGULATION: ELIZABETH'S STATUTE OF ARTIFICERS AND ITS ORIGINS	224
The peculiarity of English regulation 224.—Medieval legislation 226.—The Statute of Artificers 227.—The Poor Law 232.	
3. THE GILDS AND RURAL INDUSTRY	233
The legal position 233.—The gilds' place in local govern- ment 337.—The treatment of rural industry 238.— Specific features in the English gilds 244.	

CONTENTS

	II PAGE
4. THE JUSTICES OF THE PEACE, THE PATENTEES AND THE CENTRAL GOVERNMENT	246
The J.P.s 246.—Privileged inspectors 253.—The Stuart policy of welfare 256.—Results 261.	
5. THE ESSENCE OF THE ECONOMIC REGULATIONS	263
6. THE ANTAGONISM TO MONOPOLIES AND THE COMMON-LAW COURTS	269
The essence of the conception of "monopoly" 270.—Medieval legislation 276.—Common Law 277.—Restraint of trade 280.—The courts and economic legislation 282.—Results of the Puritan Revolution 293.	
7. THE DECAY OF THE INDUSTRIAL CODE	294
The impotence of the administration 294.—The limited influence of parliament 295.—The helplessness of the local corporations 301.—The vital importance of the courts 304.—The treatment of the gilds 305.—The treatment of the Statute of Artificers 310.—Regulation of the trade in food-stuffs 321.—The ruins of an industrial code 323.	
 VII: FOREIGN TRADE AND BUSINESS ORGANIZATION	 326
1. INTRODUCTION: NATIONAL UNIFICATION	326
2. MEDIEVAL DEVELOPMENT	331
Associations of capital 331.— <i>Maone</i> and <i>compere</i> 334.—Corporative associations of capital 335.—Mining undertakings 337.	
3. COUNTRIES WITH STATE ENTERPRISE	339
New problems 339.—Portugal 341.—Spain 343.—France 345.	
4. THE NETHERLANDS	351
Loose organizations 352.—The "directions" 353.—Trading companies 356.—The <i>voór-compagnieën</i> 359.—The East India Company. Its corporative features 360.—Unity and disruption 361.—The absolute power of the governors 366.—Limited liability 367.—Durability of the capital 368.—Importance of the Stock Exchange 372.—Conclusion 373.	
5. ENGLAND: THE REGULATED COMPANIES	373
The persistent influence of the Middle Ages 374.—The separation of foreign trade 376.—The gild spirit in the companies 379.—Incorporation 381.—Reasons for the vitality of the regulated companies 385.—Partnerships 389.	

CONTENTS

	PAGE
6. ENGLAND: THE JOINT-STOCK COMPANIES	392
Origins 392.—Medieval character 397.—The position of capital 399.—The need for capital for political functions 405.—The development between 1660 and 1720 410.	
7. ENGLAND: UNIFICATION	415
The particularism of the provincial towns 416.—The dominant position of London 418.—State support for the regulated companies 420.—The regulated companies' own measures 425.—The effects of the measures 428.—The joint-stock companies 431.—Results 436.	
8. ENGLAND: FURTHER ASPECTS OF STATE INFLUENCE	436
The existence of the companies 437.—The existence of the joint-stock companies 438.—The effect of fiscal policy 439.—The state's influence on incorporation 443.—The monopolistic privileges 447.—Political functions 451.—Adam Smith's criticism 454.	
VIII: THE EXECUTORS OF MERCANTILISM	456
Revolution 456.—France 458.—Belgium 460.—Germany 461.—England 464.—Liberalism 469.	
ADDENDA	472

PREFACE TO THE FIRST EDITION

At one time I felt greatly tempted to imitate Dr. J. H. Clapham, in his *Economic History of Modern Britain*, by dedicating the English edition of the present book to the memories of Alfred Marshall and William Cunningham. But as I felt quite sure that they would have had many objections to the book, I gave up the idea, in order to prevent them from turning in their graves. I do not, however, foresee that calamity as a consequence of my expressing the great debt I owe to both of them. Particularly Marshall, for although my personal contact with him was slight, his *Principles* were not only the starting-point of my theoretical studies, but have also profoundly influenced my approach to economic history.

The present book is intended as a contribution to the history of economic policy as a common European problem. But this does not at all mean that a uniform treatment has been accorded to all countries. Britain and France have come to the forefront in most of the chapters, for the reason that the developments studied originated with them during the period under consideration. Were we concerned with the Middle Ages, quite different parts of the European community would have had to be studied; and I do not attempt to deny that, even as it is, the number of facts to be marshalled may have tempted me to push Germany, Italy and the Scandinavian countries more into the background than has been altogether satisfactory. At all events, the reader must not expect a description of mercantilist policy in each country separately, except in so far as that has been found necessary for the understanding of common European developments.

For the book is meant to be read as a whole, not as a collection of facts. For that reason the fundamental features have been given only in their outlines and have afterwards been illustrated by a detailed treatment in some chosen fields. Among these fields, I am afraid that an English reader will miss that of colonial policy, which has not received separate treatment, though there are numerous contributions to it in different parts of the book. But upon mature consideration I have, regretfully, come to the conclusion that such a treatment would not have given a harvest at all comparable to the very great space it would have required. Another serious limitation is the sketchy treatment accorded to the 18th century in many places. The reason is that its peculiar character appears to me to come out better when studied as the battle-ground between mercantilism and what came after

it; and I have some hopes that this will be done with regard to economic ideas, where I have drawn the line by 1720 more sharply than in the rest of the book.

While the book is meant as a whole, its component parts have been rounded off, so that they may be studied separately, though something is of course always lost by so doing. The first Part, which covers the first volume, is occupied principally with external facts, what was done and omitted in actual policy. The remaining four Parts, dividing the second volume between themselves, are more concerned with the conceptions underlying the policy pursued. Throughout it has been attempted to bring the facts into connection with general developments, analysing them theoretically at the same time. With rather insignificant exceptions, original sources have been used, though previous works have of course often showed the way to them. A detailed Table of Contents will, it is hoped, give a general synopsis of the book, and the remarks introducing and concluding the chapters have the same object in view. An extensive Index, which is the work of my wife, is meant to give easy access to the particular facts.

Though I have tried to give my reasons for every conclusion reached, the views of other scholars have not as a rule been discussed. Exigencies of space have a great deal to do with this, but also a feeling that polemics have rather been overdone in economics and economic history. In a general way it may be said in this place, that the method of treating all sorts of disconnected tendencies, paving the way to modern economic conditions, under the common name of "modern capitalism" appears to me confusing and a thing to be shunned; to some extent it appears to be the outcome of an insufficient attention to economic theory.

Even if that were not so, the present book would have comparatively little to say about the growth of capital or "capitalism". For it is mainly concerned with the attempts on the part of political bodies to influence economic developments, not with these developments in themselves. Economic changes as a whole and their component parts are considered only in connection with economic policy, though from that point of view they are treated at some length.

The first edition of the present book was published in Swedish by P. A. Norstedt & Söner in Stockholm in the spring of 1931. A German edition, from which the present translation has mainly been made, was issued by Gustav Fischer in Jena in the autumn of 1932. A not inconsiderable amount of new material has been

worked up for each edition. In particular, by visits to the British Museum, the Goldsmiths' Library and the Bibliothèque nationale, I was able to study some writings inaccessible in Sweden, and part of them has been utilized for the first time in the present edition. The changes from the first edition are not very important, however, being mostly confined to the footnotes.

ELI F. HECKSCHER

INSTITUTE OF ECONOMIC HISTORY
UNIVERSITY OF STOCKHOLM

March, 1934

PREFACE TO THE SECOND EDITION

Nearly twenty years have passed since the first English edition of this book was published, and nearly twenty five years since the first Swedish edition appeared. The significant changes in economic life and perhaps even greater changes in economic policy which have occurred meanwhile might seem, in many respects, to have justified a fresh planning of this study. Both privately and publicly, many critics—most of them friendly—have often suggested that the arrangement of the work should be changed, in order that existing emphases might be shifted and new aspects of the subject examined. Even where this criticism appears justified I have not been able to give it consideration, for this would have meant an entirely new book, a book which I was not in a position to write. So basic is this criticism that it might be said of the book as it has been said of the Jesuits: they must be as they are or not be at all. Since 1931 almost all my time and effort have been devoted to the economic history of Sweden. Understandably, my familiarity with the literature of mercantilism has suffered in consequence.

The present edition is thus largely unaltered in its essentials; many amendments of detail have been made, some of them constituting important changes. In addition to those changes which were the result of later editions in other languages, further corrections and changes have followed from reading the post-1935 literature, available for the revised edition. References to this are not as complete as those to the literature earlier than the first edition and works which I considered to be of little use to my approach to the subject have not been quoted. I have thus limited myself very largely to re-examining and re-assessing certain implications of mercantilist ideas and policies. My approach has in

part been conditioned by the split in economic theory beginning in the 1930's which has made reference to a generally accepted economic doctrine difficult. It was clear that I had to change everything which no longer seemed appropriate and, moreover, that changes in actual circumstances meant corresponding changes in my text. However, these have been less radical than might have been expected since I have generally contented myself with setting mercantilism and liberalism in relation to one another and have often omitted the developments after liberalism. Where important changes have been made, these have been noted, but the number of alterations of detail has been too great to make it possible to indicate all of them.

ELI F. HECKSCHER

THE INSTITUTE OF ECONOMIC HISTORY
UNIVERSITY OF STOCKHOLM
1952

EDITOR'S NOTE

Between the publication of the second part of the *Economic History of Sweden* in 1950 and his death late in 1952, Professor Heckscher revised the Swedish edition of *Mercantilism*. In accordance with his wishes, the revised English edition has been produced by translating the corrections and additions which he made for the new Swedish edition and then inserting them into the existing English text; nothing has been added to his manuscript and only a few minor alterations have been omitted. It should be explained, however, that for the actual reproduction of the text the photo-lithography process has been used and consequently the translation and insertion of the various amendments have had to be done in such a way as to necessitate only the very minimum of re-setting of the original text. A considerable number of Professor Heckscher's amplifications have therefore been collected under the heading of "Addenda" at the end of each of the two volumes. References to these Addenda have been inserted in the appropriate places in the main text. A new chapter entitled "Keynes and Mercantilism" has been added to Volume II.

References to a number of books and articles which have appeared since the publication of the first English edition in 1935 have been added to the existing footnotes, again in accordance with the manuscript of the revised Swedish edition. To some extent references have thus been brought up to date. Nevertheless,