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HIGH LEVELS OF UNEMPLOYMENT IN THE MERCANTILIST ERA

BY
JOHN M. LETICHE

This article draws attention to the high levels of unemployment in the mercantilist era, a parallel to conditions in the less developed countries at the present time. Understandably, distinguished economists of the twentieth century, writing before the publication of Keynes' General Theory, tended to underestimate this problem. Actual causes of the high levels of unemployment are examined, including the fluctuating impacts of merchant entrepreneurs, agricultural revolutions, political unrest, and warfare, as well as nutritional deficiencies, which contributed directly to unemployment.

I. INTRODUCTION

The objectives of this article are threefold: (1) to provide original evidence indicating that the English mercantilists considered high levels of unemployment to be a significant economic problem in their time; (2) to demonstrate that the causes of unemployment were more numerous and complex than the plagues and famines that are conventionally adduced; and (3) to maintain that economic fluctuations in England and abroad were linked to an ongoing process—before, during, and after the industrial revolution—in which merchant entrepreneurs took on a larger and larger role in the financing of production and trade. In a brief appendix, the argument is extended to the broader literature on mercantilism. The evidence indicates that the less restrictive environment in England and Holland, as compared with France and Germany, rendered their economies more flexible, resulting in higher per capita GDP growth rates. The brilliant,

Professor Emeritus, Department of Economics, University of California, Berkeley. It is a pleasure for me to thank Professor Jeffrey Knapp and Assistant Professor Emily Thornbury, Department of English, University of California, Berkeley, for assistance in translating the meanings of certain seventeenth-century phrases.

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general analysis of mercantilism presented by outstanding twentieth-century economists—Eli Heckscher, Joseph A. Schumpeter, and Jacob Viner—is not in question. They were my greatest intellectual mentors. But there is the need to strengthen the historical record.

II. IMPORTANCE OF HIGH LEVELS OF UNEMPLOYMENT IN THE MERCANTILIST LITERATURE

A mercantilist manuscript published anonymously in 1549 reads as follows:

> Should we not be ashamed to bring to mind our negligence in this regard, as we ponder the astonishing quantity of land in this kingdom that is thereby left wasted and desolate, [and] consider on the other hand what an incalculable quantity of grain and [other] foodstuffs could be grown on it by the labor of those now partially or wholly unemployed.[1]

A well-known work written one year later, usually attributed to John Hales, declared: "The lost men of our trade, and clothiers of other trades, [when] forced into unemployment, form the majority of the rabble who take part in these riots" (Hales 1581, p. 18).

William Cholmeley recommended that England stop exporting unprocessed wool. This policy, he argued, would result in people having plenty "of things necessary for living, such as meat, drink, and cloth, we shall have plenty … unless we allowed our land to lie untilled and chose to live like idle layabouts ... as a great many are driven to do [today]" (Cholmeley 1553, p. 15).

Edward Misselden, referring to the relation between the balance of trade and unemployment, wrote:

> But if all the Causes of our Under-ballance of Trade, might be contracted in two words, surely they might be represented … [by] Poverty alas, and Prodigality. The Poore sterve in the streets for want of labour: the Prodigall excell in excesse,… The one drawe's on the Over-ballance of Forraine Trade [i.e., restrains the foreign trade surplus]: The other keepe's backe in Under-ballance our Trade [i.e., contributes to the foreign trade deficit]. (Misselden 1623, p. 132)[2]

In regard to the specific underemployment of resources, he adds:

> Within the Land, wee have Materials and Instruments. Materials of our owne growth, Materials of forraine growth, none are wanting. Instruments wee have of our owne Nation, Instruments of Forraine Nations, none are wanting … Or rather we have strength, and doe not put forth our strength: we have meanes and use it not … the Citty swarme with poore, with idle poore.… (Misselden 1623, pp. 136–137)

[1]Tawney and Power (1924, vol. 3, p. 328).

[2]Misselden's terminology, examined in the context of his own text and of the common usage of the time, clearly implies that the low level of national production (by the poor) and the high level of national consumption (supported with imports by the rich) were the joint causes, inter alia, of both the trade deficit and the high unemployment.

For solutions, Misselden refers to "the exceeding great benefit … which the employment … [of the idle poore] in our Native and Forraine Manufactures, would purchase [i.e., yield] to the publique; if the same were orderly collected, and prudently ordered, for the Employment of the poore" (Misselden 1623, p. 137).

Indeed, "for a small consideration," he notes in another book:

> it would certainly give great encouragement to the poore to labour, it would set on worke many fatherlesse children that are ready to starve [i.e., on the verge of dying of starvation], it would benefit the Commonwealth by their labours; and it would be an acceptable worke to Almighty God, so to supply their wants, and not to suffer the faces of the poore to be ground by the extortion of any. And I am persuaded, that every good man would be willing, either to give, or to lend, toward the raising of a stocke of Money for this purpose. (Misselden 1622, pp. 118–119)

Later, Misselden wrote, "there were never more people, never lesse employment …" (Misselden 1623, p. 133).

Thomas Mun, who was engaged in the balance-of-payments controversies of the time, not only expressed his views on the existence of "great" unemployment, but also suggested a cause of the phenomenon:

> And thus the number of those is great, who having the charge of wife & children, are notwithstanding altogether without meanes and artes to procure their maintenance; whereby some of them wanting grace, do run a desperat course, & have untimely ends. Others again, being better inspired, seek for employment, but find it not, or with great difficulty: for who doth willingly entertain a man poore and miserable, charged with a family, and peradventure debauched in conditions? (Mun [1621] 1930, p. 42)

Here, Mun appears to be drawing attention to an important cause of unemployment in the mercantilist period: the emergence of workers in society who were considered unemployable. In this *Discourse*, Mun does not elaborate on the issue, but in his classic *England's Treasure by Foreign Trade,* he returns to the problems of underdevelopment and unemployment as they relate to the balance of trade.

> First, although this Realm be already exceeding rich by nature, yet it might be much increased by laying the waste grounds (which are infinite) into such employments as should no way hinder the present revenues of other manured lands, but hereby to supply our selves and prevent the importations of Hemp, Flax, Cordage, Tobacco, and divers of other things which now we fetch from strangers to our great impoverishing. (Mun [1664] 1903, p. 7)[3]

Ever-increasing emphasis was given to the need for encouragement of agriculture and industry. Although most writers were merchants pleading for special interests, by

[3]For most of the period between 1618 and 1623, England's balance of payments appears to have been in deficit; exports tended to decline and imports to increase. Poor harvests in 1621 and 1622 enlarged imports of grain. The Privy Council and Parliament devoted considerable attention to these problems, as did temporary and permanent trade commissions in 1622. Mun took an active role in these deliberations. Barry E. Supple notes: "Indeed, for Mun these years were crucial for the development of his own theories." Supple finds that arguments developed by Mun in manuscript from as early as 1623 correspond closely to sections of *England's Treasure by Forraign Trade* ([Ca. 1630, 1664] 1903). See Supple (1954, p. 93).

the 1680s and 1690s, a consensus appears to have emerged on the growing magnitude of the unemployment problem. William Petyt complained: "And multitudes of those people, whose Labours brought Mony, Trade, and Comfort to our Corporations, are now become chargeable burthens: it being computed that our poor are increased to ten times their late number within this last twenty years" (Petyt 1680, p. 96).[4]

Charles Davenant emphasized that eliminating unemployment would help a nation develop a *produit net*—a national surplus: "If all the hands in this kingdome that are able were employed in useful labour, our manufactures would so increase, that the poor, instead of being a charge, would be a benefit to the kingdome" (Davenant [1695] 1967a, 1:72).

Without citing figures, he claimed: "In time of peace we may pay near as much to the poor, as to the maintenance of the government, and for our protection" (Davenant 1967a, 1:72). He drew attention to important causes of the unemployment:

> the poor rates are swelled to the extravagant degree we now see them at, by two sorts of people, one of which by reason of our slack administration [lax oversight; i.e., non-enforcement of extant laws], is suffered to remain sloth; and the other, through a defect in our constitution [flaws in the established set of laws and social institutions], continue in wretched poverty for want of employment, though willing enough to undertake it. (Davenant [1699] 1967b, 2:204)

Davenant did not believe, however, that these were necessarily intractable, long-term economic problems. His presentation suggests that, with capital accumulation, the population could increase simultaneously with the cultivation of new arable land. He believed that, with a "vent-for-surplus" balance of trade, a gradual improvement in fertility would result in an expansion of agricultural output: "And for the future, as we grow in riches, and as our people increase, those many millions of acres which now are barren, will by degrees most of them be improved and cultivated" (Davenant 1967b, 2:221).

For his time, Davenant was competent and well-balanced. With good government, peace, and comparatively low taxes, he was confident that England would overcome the "impositions" of the period and flourish as a nation (Davenant 1967b, 2:236–238; 5:456).

III. QUANTITATIVE ESTIMATES

As early as 1641, we find an estimate—doubtless of specious precision—"that twenty five percent of the inhabitants of most parishes of England were miserable poor people, and that (harvest-time excepted) without any material substance" (Anonymous 1641, 15).

Andrew Yarranton, writing in 1677, implored his readers to "[a]dmit there be in England and Wales a hundred thousand poor people unemployed" (Yarranton 1677, p. 61).

[4]Cf. also p. 211, where Petyt argues that the great wastelands may in time prove highly beneficial. Approximately twenty years earlier, Samuel Fortrey noted: "It is true, considering our present condition, how trade is decayed and the little encouragement people have to industry we have already more people than are well employed" (Fortrey [1663] 1954, p. 15).

Moreover, as noted, in 1680 Petyt estimated that the poor increased "to ten times their number within the last twenty years, and that their maintenance doth cost the Nation £400,000 per Ann, Constant Tax" (Petyt 1680, p. 96).[5] The most significant data for the period were provided by Gregory King—the first eminent English statistician. According to his estimate, in 1688 there were approximately one million unemployed in England and Wales. About 24% of the population was classified as "cottagers and paupers," and 23% as "labouring people and outservants" (King 1936, p. 31).[6] Both these groups were recorded as "having yearly expense per head" greater than "income," with the former group being virtually unemployed. King's estimate of one million unemployed in England and Wales was used by writers even when they included Scotland in their discussion, and was repeatedly published by English mercantilists in the 1690s and in the 1730s. (It should be noted that the estimate doubtless reflects the swelling of the ranks of the unemployed due to the Glorious Revolution of 1688.)

Furthermore, from approximately 1700, the English mercantilists not only continued to emphasize the persistence of high unemployment as a phenomenon in the early development of market mechanisms, but they also increasingly cited the statistical estimates of its magnitude. They spoke more frequently of long-term involuntary unemployment.

In 1695 Davenant wrote that there were 500,000 poor families in the nation living in cottages, who contributed little "to the common support" (Davenant 1967a, 1:19). Four years later, he urged that "as many as possible of those 1,330,000 persons," of whom not more than 330,000 were children too young to work, should be made self-supporting, if only they were employed and earned "a large share of their maintenance." This, he said, would provide the nation with "millions of Sterling per annum" (Davenant 1967a, 1:205).

In 1729 Joshua Gee wrote of "great Numbers that happen to be out of Employment and have no possible Way of recommending themselves to any Service, are forced to starve, to fall into the Practice of picking of Pockets, Thieveing, or other wicked courses, to supply their immediate Necessities" (Gee 1729, p. 58).

More generally, in 1731 Gee observed, it was "a common opinion" that there were more than one million persons unemployed in England, Scotland, and Wales (Gee 1731, p. 90). A similar estimate was given by Matthew Decker in 1744 (Decker 1750, p. 114). He outlined several proposals that he believed would have had the effect of preventing the poor from being driven "by necessity to fly their Country, to starve, beg, or steal" (Decker 1750, p. 98). John Cary, in turn, referred to the necessity of finding methods to put all able-bodied men to work, which he thought "must be done,

[5]Based on Gregory King's pioneering work on "expenses per head" for "cottagers and paupers (£2), calculated for the year 1688, this £400,000 would support about 200,000 people for a full year" (King 1936, p. 31).

[6]See also pp. 35, 39. While some economic historians have raised questions about King's estimates, others consider his figures generally reliable. See, e.g., D. C. Coleman (1956, p. 283 et seq). King's data also appear consistent with Davenant's observations on the availability of arable land for potential agricultural expansion.

by hindring such swarms from going off to idle and useless Employments, and by preventing such Multitudes of lazy People from being maintained by begging" (Cary 1745, pp. 83–84).[7]

Joseph Harris explicitly, and cogently, gave the argument an economic and more general causal connection. He drew attention to the relation between low productivity of labor and the going wage at which many workers could not find employment: "as the world goes, there is no likelihood that the lowest kind of labourers will be allowed more than a bare subsistence; if they will not be content with that, there will be others ready to step into their places" (Harris 1757, p. 10).

IV. ACTUAL CAUSES OF UNEMPLOYMENT

In a review of an article by Joel Mokyr on the economic history of Britain from 1700 to 1859, Gregory Clark (2012, pp. 90-91) has argued convincingly that the evolution of thought in the years preceding the industrial revolutions, and the IR itself, entailed a change in intellectual thought and the shift of attention from divine creation to human creation, thereby bringing practical challenges to the forefront of attention. This trend occurred in the preindustrial period and continued into the postindustrial period. Clark emphasizes that merchant entrepreneurs showed a similar tendency toward making profits before and after the industrial revolution. The centerpoint of his presentation is that there was a continuum of change.

In an article on "Economic Growth Before and After the Industrial Revolution," Jan DeVries (2001, pp. 179, 183) similarly wrote: "the neo-malthusian model, the industrial revolution, and the concept of modern economic growth formed an interdependent triad … ."

Regarding the problem of unemployment in the mercantilist era, Professor Harry Johnson has rightly recorded: "I am indebted for emphasis on this point to a paper by J. M. Letiche presented at the Conference on the History of Economic Thought, held in Chicago in May, 1973, which draws the parallel between the problem of unemployment in mercantilist times and in the less developed countries at the present time" (Johnson 1974, p. 5).

Historically, economists have held that, prior to the industrial revolution, "bad times" were associated with a reduction in the availability of resources (and with declines in productivity), resulting primarily from exogenous natural causes, such as plagues and famines. After the industrial revolution, the argument continues, depressions and recessions have been associated with the underutilization of existing labor and capital resources. While the differentiation between the two historical

[7]David Hume, an enlightened critic of mercantilism—although Adam Smith ([ca. 1763] 1896, p. 198) faulted him for having "gone a little into the notion that public opulence consists in money"—had written, in 1752: "Here are a set of manufacturers or merchants … who have received returns of gold and silver for goods which they sent to Cadiz. They are thereby enabled to employ more workmen than formerly, who never dream of demanding higher wages, but are glad of employment from such good paymasters." See Hume (1889, p. 313; italics added).

periods may be generally correct, our analysis will show that the argument itself is an exaggeration that calls for considerable qualification.

According to the best available evidence, wars or the danger of war produced a depression in England at the beginning of every decade but one between 1500 and 1700 (Fisher 1990, pp. 82–83). These cyclical fluctuations were a major cause of heightened unemployment. Agriculture was, of course, the dominant form of economic activity, and in this sector, landowners made investment and production decisions primarily on the basis of their real assets (Deane 1965, p. 13). By 1700, however, England had developed a substantial array of financial and economic institutions. Commerce and industry had become significant sectors of the economy. There was even some factory industry. Most non-agricultural economic decisions were made by family-based units of production, whose output per worker depended largely on the extent of the family's holdings in such assets as land or stocks of consumer goods (Deane 1965, pp. 11–15).

In regard to the causes of large-scale unemployment during this period, however, another form of capital—merchant entrepreneurs' financial capital—deserves attention.

The raw material purchases of these merchants, who were direct decision makers in the "putting-out" system, were funded from a stock of financial capital, which fluctuated with changes in economic conditions. It was the merchants' entrepreneurial function to get these raw materials and inventories into the hands of craftsmen who would produce the finished products. In effect, fluctuation in these investments was a major contributor to fluctuations in output and employment.

Interdependently, by 1700 the merchant entrepreneurs had become a substantial segment of England's specialized economic institutions for both the home and foreign markets. The Bank of England had been established in 1694, and by 1750 the British banking system was providing extensive and complex financial services to the British government, British merchant entrepreneurs, and foreign customers. Trade with North America, Africa, India, and the Levant was organized by chartered companies who got much of their capital from non-participant shareholders (Deane 1965, p. 17). Both at home and abroad, changes in key economic variables—effective demand, quantity of money, and employment—were interdependently related to the utilization of available capital by the merchant entrepreneurs.[8]

The theoretical view that, prior to the industrial revolution, depressions were associated with a reduction in the availability of resources is, therefore, at best, an incomplete account, omitting other significant causes.[9]

[8]DeVries notes: "When the money supplies declined, for whatever reason, the ability and willingness of merchants to finance the putting-out industries with circulating capital declined. Through the multiplier effect, such a decline in investment diminished the overall level of employment" (DeVries 1976, p. 241). In an article published posthumously, Viner, wrote that "they [the mercantalists] were perhaps taking for granted that there normally existed large amounts of unemployed labor and natural resources" (Viner 1991, p. 264).

[9]A significant literature has appeared analyzing the causes of the Industrial Revolution. This literature is surveyed in Mokyr (2009); see also the review of the latter work by Clark (2012).

Warfare and Strife

During the period of English mercantilism, war and civil strife continually engulfed society. The wars were costly, and domestic expenditures had to be reduced. Characteristically, war would tend to lower unemployment, while periods of truce would tend to raise it. The start of a truce typically created an itinerant army of unemployed servicemen and their families; nearly 30% of travelers through towns and cities were soldiers and seamen (Clark 1989, p. 76).

As for civil strife, young men who had taken part in expeditionary campaigns attacked villages. The attacks began in the 1580s and persisted throughout the seventeenth century, resulting in even higher unemployment among peasants and soldiers as they returned to their homes (Holt 1970, 1:342–353).

Agriculture and Industry

As noted above, economic historians have seen unemployment prior to the industrial revolution as primarily caused by plagues and famine. London and the larger towns suffered most, with numerous towns recording deaths from plague approaching 20% of total burials (Butcher 2008, p. 51). However, other important factors, some of them already noted, should not be ignored.

Agricultural revolutions had the effect of driving labor from the land to urban areas. Although industry absorbed most of these migrants, its rate of growth was not rapid enough to provide work for all of them (E. E. Rich et al. 1977, p. 132). Furthermore, during periods of drought, steep rises in agricultural prices forced both farm dwellers and inhabitants of towns and cities to shift expenditures toward foodstuffs and away from manufactured goods, thereby exerting downward pressure on manufacturing output and employment.

Additional factors identified by economic historians as contributors to unemployment during this period were the sloth and generally undisciplined character of agricultural migrants, which often rendered them unemployable.

It is sometimes also claimed that guild regulations tended to reduce the efficiency of enterprises, and often set wage rates above the level warranted by the average productivity of workers. Finally, even after accounting for the seasonality of agricultural work, much of the labor of the time was irregular and casual. These conditions frequently grew directly from the extreme unpreparedness of the agricultural labor force for emerging industrial demands.

Nutritional Deficiency

Recent research on average caloric availability in England and Wales during the mercantilist period gives additional support to the view of mercantilist writers that unemployment rose substantially from 1650 to 1700. According to the available evidence, in 1700 the share of dietary energy made available to the towns and cities was a third lower than a century later, reflecting an ongoing trend (Fogel 2004, p. 37). Life expectancy at birth was only about thirty-two years (Fogel 2004, p. 2, Table 1.1). This research shows that, as of 1700, the net incapacitating effects of dietary deficits reduced the population in the non-agricultural regions. Characteristically,

when population declines, output also falls and unemployment rises (Fogel 2004, p. 15).

V. RELATED EVIDENCE

In an appendix below, additional evidence is provided on the unemployment problem in the mercantilist era for Holland, France, and Germany. This indicates that the mercantilist regulations were more onerous and pervasive in France and Germany than they were in England and Holland. In consequence, the English and Dutch economies were much more flexible than those of France and Germany. As shown in Graph 1, GDP per capita growth for England and Holland from 1500 to 1820 was significantly higher than for France and Germany, doubtless reflecting their greater efficiency and competitiveness.

VI. PRINCIPAL OBSERVATIONS

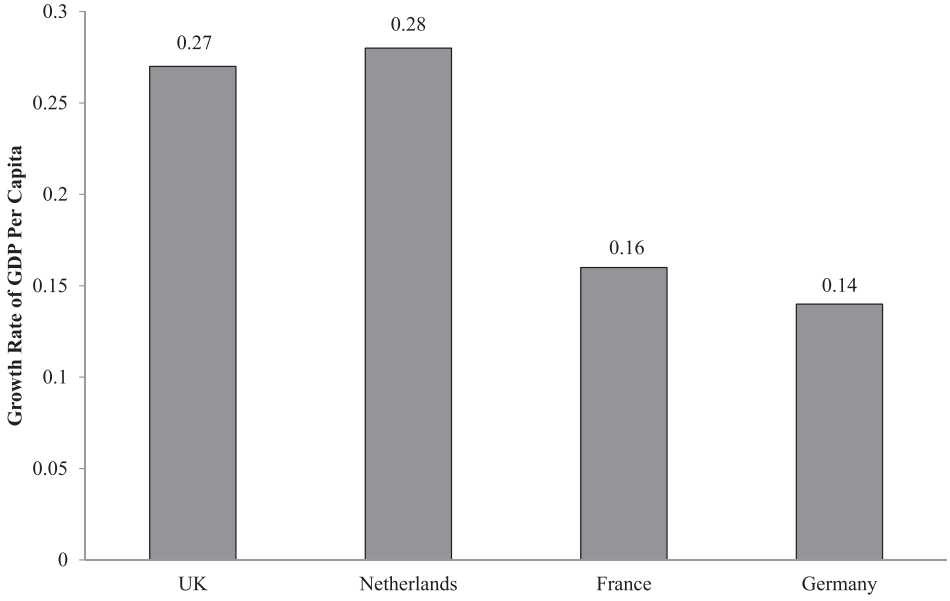
- It has been shown in this article that English mercantilist writers emphasized the problem of high levels of unemployment as a periodic, serious, national phenomenon. In 1688 Gregory King, the first eminent English statistician, asserted that there were one million unemployed in England and Wales. Yet, distinguished classical economists of the twentieth century tended to underestimate the importance of this issue.[10]

- Possible reasons are provided for this tendency, including the fact that analytical tools capable of explaining high levels of unemployment were not available prior to Keynes' *General Theory.*

- Depressed economic conditions generated intense discussion among the mercantilist writers of the laws that might account for the creation of wealth in a nation and the conditions for the expansion of foreign trade. The laws they spoke

[10]Jacob Viner (the author's mentor) paid almost no attention to unemployment in his chapters on mercantilism in *Studies in the Theory of International Trade* (1937) since the topic necessarily fell outside the scope of that work. In discussing, for example, excess of imports over exports, he provided only a single citation (to Gregory Young) on the unemployment problem. However, Keynes' *General Theory of Employment, Interest, and Money* (1936) led him to address the subject in his later analysis. See, e.g., "Economic Thought" (Viner, 1968) and "Full Employment at Whatever Cost" (Viner, 1950). In his 1935 classic on mercantilism, Eli F. Heckscher wrote: "It is hardly probable that the phenomenon of unemployment appeared suddenly out of the blue" (Heckscher 1955, p. 121). For Heckscher's critical response to Keynes' *General Theory*, see "Keynes and Mercantilism," in Heckscher (1955). Later, Joseph A. Schumpeter, in part 1 of his magisterial *History of Economic Analysis* (1954) merely cited Viner's reference to Young (p. 351); in part 2, he notes the prevailing view that "the introduction of machinery tends to increase employment and raise wages," pointing out that this opinion had been held by Cary (p. 273). However, he does not discuss mercantilist thought on the causes of high levels of unemployment.

Figure 1: Rates of Growth of GDP Per Capita 1500-1820
for the UK, Netherlands, France and Germany



Source: Madison, Angus. 2001. *The World Economy: A Millenial Perspective.* Paris: OECD, Table B-22 (p. 265).

of were impersonal, akin to those of the natural sciences; notably, the laws of supply and demand that determined prices, wages, interest, and exchange rates. It was these discussions that generated an embryonic language of economics (Magnusson 1994, p. 7).

- For the period before the industrial revolution, it has traditionally been maintained that "bad times" were primarily triggered by famine and plague, and associated with reductions in the available quantities of labor and capital. It has further been held that after the industrial revolution, high levels of unemployment were associated with a reduction in the utilization of existing resources. This differentiation between the two historic periods, it has been shown here, calls for serious qualification. Increasingly, the activities of merchant entrepreneurs played a significant role in economic fluctuations, with changes in money supply reflecting degrees of utilization of their available capital resources. There was, therefore, a substantial continuum in the causes and patterns of economic fluctuations—including those of employment—through the periods preceding and following the industrial revolution.

- The causes of high unemployment in the mercantilist era were many and complex. Apart from the aforementioned plagues, famines, and changes in entrepreneurial use of capital—at times related to declines in effective demand for British woollens—agricultural revolutions, wars, and civil strife were also major contributors.

- As Fogel has documented, caloric availability per capita in English towns and cities during the mercantilist era was inadequate to meet the requirements of regular, strenuous work. This strongly suggests that, between 1650 and 1700, ill health in the last years of workers' lives contributed to the high levels of unemployment. Recent research by the United Nations has found that this phenomenon deserves serious attention in contemporary developing countries.

APPENDIX

EVIDENCE ON UNEMPLOYMENT DURING THE MERCANTILIST ERA IN HOLLAND, FRANCE, AND GERMANY

Holland

An examination of Dutch archival literature provides evidence of mercantilist proposals to overcome high levels of unemployment (Cau 1664).[11] The proposals were often drawn up by merchant speculators primarily interested in potential profits. They petitioned for *octrois*, or charters, conferring special fiscal and other privileges. The petitioners argued that, if the charters were granted, they would be instrumental both in promoting the economic development of a particular region and in reducing severe unemployment. Invariably, the petitioners drew attention to the labor-intensive nature of their projects (Cau 1664, 2, 5 *boeck*, 9 *tit*., 1 *deel*).

Accordingly, one drainage project specified the myriad laborers—husbandmen, dike workers, surveyors, carpenters, masons, smiths, and engineers—who, for lack of employment, "leave in large numbers each year for Flanders, Enderland, France, and elsewhere to seek work to the detriment of the tax revenue and population of the nation, besides the fact that the scarcity of land causes many to leave for other kingdoms to seek it, so that, as time goes on, entire families leave to live elsewhere" (Cau 1664, 71 octroi [10 June 1617], col. 1720).[12]

During the seventeenth century, an increasing number of petitions for charters stressed that, because of the "great multitude of residents and husbandmen," it was not possible to set the people "here in Holland to work and [to] keep them in the country; thus we see from year to year that various husbandmen depart to France, England, Groningen [Germany], and other areas to seek work and land" (Cau 1664, 2, col. 1699).

Therefore, this petition pleads, it is of urgent importance for Holland's welfare to launch large "make-work" projects. They would be instrumental in the building of dikes, mills, and locks, but also in the digging of ditches and canals. Craftsmen and laborers would be kept in the country and, it was hoped, craftsmen who had left Holland would be encouraged to return (Cau 1664, col. 1700).

[11]Through the efforts of the late Professor Donald Coney, University Librarian, a set of these archival materials is available in the Documents Section, Bancroft Library, University of California, Berkeley. It is with deep appreciation that I acknowledge the assistance of the late Mrs. Pieter De Wolff of the Netherlands who examined selected materials in this compilation and advised me on the translation of key passages.

[12]This emphasis in 1617 on emigration abroad may have been exaggerated, but modern research has confirmed the migration from the countryside to the towns and cities and, after approximately 1720, the lack of further population growth in the countryside.

Some petitioners emphasized the dual private and public advantages of their projects, including specific externalities. The creation of new land (polders), they noted, would benefit the owners of old land since the latter would be subject to less flooding. Moreover, the dikes would require less maintenance. Employment would be created not only during construction of the polders, but also for their long-term maintenance (Cau 1664, 74 octroi, cols. 1733–34).

In 1630 one group of petitioners argued that "bad times" necessitated improvement in the financial terms of their charter, stressing the importance of checking emigration "of many people who not having land were leaving the area, whereas their productive employment could benefit the revenues of the country" (Cau 1664, 76 octroi [4 May 1630], col. 1741).[13]

In 1631, an *octroi* was granted to the city of Alkmaar, to build dikes and to reclaim land—an early instance of town finance used for economic development and the creation of employment (Cau 1664, 76 octroi [4 May 1630], esp. cols. 1742–3). Clearly, unemployment as a serious problem prevailed in Holland during the mercantilist period.

France

Jean-Baptiste Colbert, who served as minister of finances from 1665 to 1683, was the central figure in French mercantilism. Among other outstanding figures were Cardinal Richelieu, Antoyne de Montchréstien, Barthélemy de Laffemas, and Jean Bodin. Before Colbert, French mercantilism was anemic; after Colbert, it became decadent. High unemployment was emphasized by French mercantilists as early as the 1630s. It was increasingly identified as an important problem in the period of decline after Colbert.

Colbert believed that it was chiefly through improved quality that French-manufactured goods could gain and maintain a market, both at home and abroad. But, given the inefficiencies and corrupt practices of French business, he was convinced that improved quality could be obtained only through the promulgation and enforcement by the central government of carefully drawn-up regulations on the economic life of the nation. This, he believed, included manufacturing, internal trade, prices, wages, poor relief, and so forth. While the regulations were somewhat flexible under Colbert, they became more rigid and more ineffective under the governance of less dedicated and competent successors. In effect, virtually every phase of guild activity fell under the control of the government. Hence, by the close of the seventeenth century, the state increasingly tolerated monopolies because revenue could be raised from them. Though Colbert's objectives were to increase quality and competitiveness, the pervasiveness of government regulations under subsequent, less effective leadership hastened the economic degradation of French mercantilism.

Charles W. Cole defined and examined French mercantilism within the framework of a group of theories, policies, and traditions of the country, as well as contemporary events. He described how the statutes and regulations were upheld and applied, especially by Colbert, whose objective was to procure for France—and for the king, who symbolized the nation—power, wealth, and prosperity (Cole 1939, 2, ch. 14, p. 558).

A sampling of the theories that were part of Cole's frame of reference indicates that not only is unemployment recognized as a serious national problem, but its magnitude is

[13]When charters were granted, the government of the province in question maintained the strict right of surveillance and established rules for the completion of projects within specified periods of time. One gains the impression from these documents that, for seventeenth-century mercantilism, the standards of administration with respect to these provisions were taken most seriously. See cols. 1735–62.

emphasized. In 1600, for example, Laffemas alluded to "one half" of the French population's being "idle" (Laffemas 1600, p. 2), and in 1615 Montchréstien expressed astonishment that the "majority" of Frenchmen were forced to seek employment elsewhere (Montchréstien 1615, p. 26; and, for similar comments, pp. 21–22, 101–108).[14]

As Cole rightly points out, the French mercantilist writers and the government reports attest to the related problems of mass unemployment and famine. Practically every food shortage, they proclaimed, generated a pronounced depression, marked by numerous business failures, stagnation of trade, and increased unemployment (Cole 1943, p. 212).

When the peasants encountered poor crops, their spending declined. The high prices of grain also compelled artisans and the bourgeois to curtail their general expenditures so that they could purchase food. French mercantilists pointed to civil strife and warfare as increasingly frequent causes of unemployment in the latter part of the seventeenth century. Both the revocation of the Edict of Nantes in 1685 and the outbreak of war with England in 1689 had deleterious effects on business and employment. The mercantilist literature clearly indicates that the problems of the poor and the unemployed were even more pressing in the last years of the seventeenth century than they had been under Colbert (1665 to 1683) (Cole 1943, p. 212).

Germany

As frequently noted, differences in political and geographical circumstances led to considerable differences with which they pursued mercantilist objectives. Two of the founding fathers of German *Kameralwissenschaft*, J. J. Becher and W. von Schröder, who had lived in England and returned to Germany, put much emphasis on the problem of "mercantilist unemployment" (Becher 1688; von Schröder 1686). Both men had been influenced by Mun, Child, and Cary. It is noteworthy that Keynes referred to von Schröder as one of the mercantilists who recognized the advantages of a low rate of interest and who regarded thrift as a possible cause of unemployment (Keynes 1936, pp. 344, 359).[15]

Furthermore, Becher was one of the first mercantilists to discuss—albeit in semi-analytical terms—the relationships between the propensity to consume, aggregate consumption expenditure, and employment. While, in his system, expenditure (or consumption) was the prime mover of economic activity, he discussed its impact on investment and employment, emphasizing to a significant degree the theoretical interdependencies of these variables.

Both von Schröder and Becher recognized that early capitalism was prone to a form of high-unemployment disequilibrium. The impact of their discussions on the development of equilibrium theory, and on the understanding of quantitative relationships among economic sectors, has been recognized in the literature. However, it also deserves attention in the context of medium- and long-term models constructed to explain severe unemployment under mercantilist disequilibrium conditions.

[14]Related materials on seventeenth- and eighteenth-century mercantilist and new mercantilist writers are discussed by Joseph J. Spengler (1942, esp. pp. 37–43, 46–56).

[15]Although Keynes did not mention Becher's work, von Schröder had definitely been influenced by it. Becher's economic analysis was, in fact, immeasurably superior to that of von Schröder's.

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