

Mercantilism and Language

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Lars Magnusson, *Mercantilism: The Shaping of an Economic Language* (London: Routledge 1994) ISBN 0 415 07258 1. Pp viii + 222. Price: £ 40.

This is one of the few new books on mercantilism published in the last two decades. It revives the Swedish tradition of an interest in the subject which was so masterfully expounded in the controversial two volume work on *Mercantilism* by Eli F. Heckscher. The debates which that work generated (evaluated and summarised by Don Coleman, 1969) have now died out, and apart from a few scholars, mercantilism receives relatively little attention. When I resumed lecturing the history of economics at Sydney University in 1966, I devoted almost half a term's lectures to the subject which I had studied intensively for my PhD. By way of introduction to the study of classical economics in first semester 1995, my students now get a quick glimpse and overview of its essential meaning in half a lecture. New work on this topic is to be applauded given that the roots of classical economics are difficult to grasp without an appreciation of the meaning and contributions of mercantilism.

The meaning to be assigned to mercantilism has of course been one matter of controversy. It has been used to refer to a system of economic policy, to State building and a system of nationalism, but for historians of economics it has tended to mean a body of literature, drawn from all parts of Europe, and especially from England. British mercantilism as doctrine was exhaustively analysed by Jacob Viner (1937, Chapters 1 and 2). There are few such comprehensive studies for other countries or for the phenomenon in its various European manifestations (exceptions include Cole, 1931; Tribe, 1988; Perrotta 1988). Magnusson's book follows Viner by concentrating on English mercantilism but, by including a chapter on 'the other countries', provides at least part of the broader picture. More importantly, Magnusson presents the phenomenon not as a body of doctrine but rather as a shaping of economic language. Hence, in a subtle way, he elaborates on Schumpeter's view that modern classical political economy drew from essentially two traditions: the practical literature by merchants and by consultants-administrators, and the contributions to economics from the philosophers.

Magnusson's thesis is, however, sharper than Schumpeter's general position. It deals explicitly with mercantilism and the growth of language, the technical and analytical language used in economic debate. This creation occurred in periods of "heated discussion" during controversy - explaining the concentration in this book on the 1620s debate between Malynes, Misselden and Mun (Chapter 3) and, subsequently, the debates during the 1660s following the restoration of Charles II, the 1690s debate over recoinage and interest abatement and the hectic post-Treaty of Utrecht trade policy debates (1713). These post-1630 advances were made, Magnusson argues (p. 100) "in supply and demand explanations of commodity prices, wages, interest rates, money and exchange rates" and in debates over the balance of trade (discussed in Chapters 4 and 5). His approach justifies, and explains Huchison's (1988) emphasis on the English 'boom' in economic thinking of the 1690s but Magnusson says nothing explicitly about Huchison's further argument that after the 1690s the mantle of economics passed to other parts of Europe, especially France and Scotland. In some respects,

there is little wrong with this focus on language, in others, it can only be seen as distorting and misleading.

Take first the emphasis on supply and demand in the growth of language, as explanations of prices, wages, interest rates, money and so on. This should have been phrased differently. In mercantilist literature, there were supply and demand type explanations of these phenomena, since the vocabulary of supply and demand is an eighteenth century phenomenon, commencing with Law's critique of Locke and ending with the more consistent use of these terms by Steuart in 1767. Paradoxically, neither Law nor Steuart play any real part in Magnusson's story.

Secondly, Magnusson uses his perspective to differentiate his story quite brutally from other, and earlier, accounts of the phenomenon (Chapter 2). This is an unnecessary and, more importantly, positively harmful feature of the book. His survey of debates on mercantilism, interesting though it is, contains several important errors of interpretation and of fact in this attempt at gathering laurels at the expense of earlier writers. A few examples have to suffice. His perspectives on the British *Methodenstreit* are almost totally wrong: This cannot be depicted as a battle between Cunningham, Ashley and Hewins (historical economics) against Marshall's "almost hegemonic position" in British economics (p. 30). For example, Cunningham's perspectives on the subject as compared with Schmoller's (p. 31) were fully supported by Marshall in his *Industry and Trade* and are not at all contradicted in his historical account of the growth of economics. Moreover, Marshall was always a qualified free trader, arguing that free trade was the best trade policy for Britain because of its cost saving potential for British industry with respect to its inputs, particularly labour. Likewise Magnusson's critique of Perrotta (pp. 52-53) is misplaced. Much of the later development of mercantilism did focus on the 'balance of employment' while eighteenth century labour policy in England reflected many of the problems in the developing world elaborated by Myrdal in his *Asian Drama*. Later, Viner is mercilessly criticised for his use of the Midas fable in his characterisation of the essence of mercantilism (pp. 52-3). Having a new perspective on a wide subject like mercantilism does not require the destruction of other, earlier views, and the valuable insights they offer.

More seriously in the discourse on new economic language is the dismissal of Marx's thesis on classical political economy and the concomitant treatment of Petty in this work. When highlighting the work of Petty and Boisguilbert as founders of classical political economy in his *Contribution to the Critique of Political Economy*, Marx had focused partly on their contributions to conceptualisation. Moreover, classical political economy as a development in economics was depicted by him as running parallel to the monetary (or mercantile) system for at least its first hundred years. Magnusson's treatment of Marx (pp. 14, 186 especially) obfuscates this aspect of Marx's work, particularly with regard to Petty. Magnusson's treatment of Petty is in fact quite misleading. To list him with the most important authors of the 1690s (p. 118) ignores the fact that Petty had died in 1687, and that his most important works date from the 1660s and 1670s, though some were reprinted in the 1690s. Furthermore Davenant (a far less original and systematic author) is claimed to have surpassed Petty's works in "style and method", an assertion made without any evidence whatsoever (p. 126). The subsequent, and somewhat contradictory treatment of Petty (pp. 131-3) shows a serious lack of understanding of Petty's work, by failing to grasp the highly systematic analytical framework Petty developed in passing in his *Treatise on Taxes and Contributions*. This framework guided his later work. Magnusson seems not to understand Petty and therefore completely fails to grasp the analytical and methodological aspects of the developments of classical political economy which Marx identified in the 1850s and which go well beyond a labour theory of value.

There are other peculiar features in this account. Neo-mercantilism in banking theory is totally ignored by Magnusson. There are no references to Potter, Asgill, Law and their offshoots in the eighteenth century. The treatment of non-British literature is very poor and sketchy. The Italian literature is confined to the second half of the eighteenth century; the French literature is unsystematically discussed, and treated unevenly relative to the German. Referencing in addition is often highly inadequate and the index is not very useful. Yet this is not an unimportant book, if read critically and with a good knowledge of the literature. Some of the survey of the older literature on mercantilism is refreshing; the discussion of debate on the 1620s is illuminating and thorough; the rehabilitation of mercantilism as an innovating system of language in the spheres of money and exchange is insightful. A book that cannot be ignored by students of the subject, and which therefore needs to be in every library at universities where the history of economics is taught.

References

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