Prof. J. Schumpeter in his book 'History of Economic Analysis' has made the following significant observations regarding the mercantilists: "... fundamentally, they are planners, planning precisely in order to avoid what they conceived to be the anti-nationalist effects of unregulated enterprise, irrespective of how profitable such enterprise might be to individuals..." 1

The weighty observations of so distinguished a writer on the history of development of economic analysis certainly justify a modest endeavour to assess the ideas of the mercantilists as a contribution to the theory and practice of planning which has come so much into prominence at the present day. In this connection we have also to remember the warning given by Prof. Schumpeter to the effect that we are in constant danger of misunderstanding what the mercantilists wanted to say because we may reason from the 'sublime heights' that we have attained to-day. Schumpeter says in a clear and straightforward manner that the bulk

1 J. Schumpeter: History of Economic Analysis (1936) P. 360
of the mercantilist literature was not only 'preanalytic' but was also crude because it was "the work of unprofessional or even uneducated minds that frequently lacked the rudiments of the art of exposition." 2

That the ideas of the mercantilists deserve serious consideration have also been forcefully emphasized by no less an economist than the late Lord Keynes. In the *General Theory of Employment, Interest & Money* he devoted a substantial part of a chapter for exposition of the mercantilist theory, notwithstanding the fact that the classical economists from Adam Smith to Marshall treated the mercantilist views either with contempt or with indifference. Keynes observed: "As for earlier Mercantilist theory, no intelligible account was available; and we were brought up to believe that it was little better than nonsense." 3 Yet Keynes himself gave an exposition of the mercantilist theory in such a manner as to suggest that many of his own ideas were anticipated by the mercantilists.

2. Ibid pp. 338-362.
In view of the well-considered premises of economists of past writing about like Hegel, and others, we feel that the court of the evolution of the theory and practice of economic planning in this begins with a brief assessment of the ideas of the more utilitarian of the economic policy that we find present in effect on the basis of these ideas.

Mercantilism was precisely the economic perversion in the evolution of an early stage of development of civilization. It is in this context that mercantilism is called the economic system of absoluteism, or it was also in the sense that it expresses, in his definition of mercantilism, 

"Mercantilism is the reign of economic autocracy."

In fact, it is more closely sought after centralized unity in economy as well as of favorable balance of trade.

In pursuit of economic contribution it was the first step from natural economy to money economy, it crushed the local regulation of cities of guilds and real continuous of commercial economy. All thus, expanded the scope of commercial activities to a wide scope. For these purposes, a great number of laws... (Continued)
were proclaimed. Efforts were made to unify the domestic systems of public finance, taxation, and tariff, to establish monetary and weights and measures systems, and to increase national capital and productive power by regulating consumption and labour, encouraging domestic production and protecting industries. Imports from abroad were restricted or banned, protective tariff was imposed; navigation laws and treaties of commerce were made use of for the purposes of protecting and developing trade of the State. Through the implementation of all these uniform, domestic and foreign policies, the State endeavoured to build up a self-sustained economic community on a national scale. Of course, not all the mercantilist economic policies were successful in the task of unifying the national economy. But in spite of any mistakes and contradictions, there is no doubt that every effort was made to shape an integrated national economy.

Referring to the mercantilist economy as the 'First Planned Economy of England' in an interesting

study Mr. E. Lipson draws attention to the fact that the mercantile system, as defined by the Oxford English Dictionary, is a term used by Adam Smith and later political economists to denote "the system of economic doctrine and legislative policy based on the principle that money alone constitutes wealth." 6 That this representation of the mercantilist viewpoint is not at all correct is strongly emphasized by Lipson. He makes the following pointed observations in this connection:

"For many decades it has been regarded as axiomatic that the whole structure of mercantilist doctrines and policy was grounded upon a confusion of money with wealth. Yet it is, on the surface, a singular notion that a system of economic policy which endured for several centuries should have had its basis in pure fantasy; or that the businessmen of the Seventeenth Century . . . . . . . should have entertained delusions about money and wealth which are patently absurd. It can be demonstrated that the bulk of mercantilist writers did not believe in the crude fallacies generally attributed to them. They did not mis-conceive the true nature of wealth which they elucidated in comprehensive term as 'every kind of

useful possession, nor were they ignorant of the true functions of money.

We can clearly visualise the mercantilist attitude towards money in the light of the admirable analysis made by Keynes. We should remember in this connection that Keynes endeavoured to bring out "the element of scientific truth in mercantilist doctrine." Keynes observed: "When a country is growing in wealth somewhat rapidly, the further progress of this happy state of affairs is liable to be interrupted, in conditions of laissez faire, by the insufficiency of the inducements to new investment. Given the social and political environment and the national characteristics which determine the propensity to consume the well-being of a progressive state essentially depends on the sufficiency of such inducements. They may be found either in home investment or in foreign investment (including in the latter the accumulation of the precious metals), which, between them, make up aggregate investment. In conditions in which the quantity of aggregate investment is determined by the profit motive alone, the

7. Ibid
opportunities for home investment will be governed, in the long run, by the domestic rate of investment; whilst the volume of foreign investment is necessarily determined by the size of the favourable balance of trade. 8

In this connection we have to bear in mind, as Keynes has reminded us, that the "mercantilists were under no illusions as to the nationalistic character of their policies and their tendency to promote w.r.9 Nevertheless, Keynes insists that "intellectually their realism is much preferable to the confused thinking of contemporary advocates of an international fixed gold standard and laissez-faire in international lending ... 10

Lipson has pointed out that "in the sphere of industry the avowed aim of the first planned economy 11 was to bring capitalism under control. 12 The entrepreneur was subjected to control in various ways. He did not have freedom to fix the terms on which he engaged labourers since he was compelled to pay

9. Ibid, p. 348
10. Ibid
11. Ibid
12. Ibid
legal rates of wages. Secondly, the employer could not throw workers out of employment on account of a fall in the market demand for the goods produced by him because he was under compulsion to keep the labourers at work. There were various other restrictions upon the employers.

It is true, Lipson admits, that the "one object of England's first planned economy is the acquisition of precious metals." 13 But this was not due to any confusion of wealth with money; it was due to an apprehension of a shortage in the supply of money. It is true that gold discoveries that were made subsequently removed the fear of shortage to a great extent, but during the heyday of mercantilism the shortage was a real problem. Hence the mercantilists were deeply concerned to prevent a scarcity of money. Further, they also wanted to "keep its quantity ever increasing since a rise in prices was favourable to industry." 14 Lipson goes on to observe: "Our respect for the acumen of mercantilist writers is heightened when we find that

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13. Ibid., p. 44
14. Ibid., p. 45
already in early seventeenth century they drew attention to the economic stimulus of an expanding economy." 15

In the sphere of industry the chief aim of the 'first planned economy' was to bring capitalism under control. The industrial entrepreneur was required to submit to restrictions in six different ways. First, he did not have freedom to decide the terms on which he hired his labour since he was bound by legal rates of wages. Secondly, he could not expand or contract his demand for labour at his sweet will in response to a fluctuating market for his wares, since pressure was exerted on employers to keep their men in employment. Thirdly, he could not draw freely upon the available labour, since he had to employ trained workmen who had served an apprenticeship. Fourthly, he could not manufacture his goods as he pleased, since he was required to conform to standard measurement and standard quality. Fifthly, he was not at liberty to determine the prices of all his products in accordance with the laws of the market, since prices were sometimes fixed by public authority. Sixthly, he was not allowed

15. Ibid.
even to carry on his trade in certain circumstances, since it might be placed under the monopolists who could either refuse him the right to continue in business or exact from him heavy fees for doing so. 16

In appraising the ideas of mercantilists we have also to bear in mind the crudeness of some of their theories. It is no use lavishing high praises upon mercantilists without appreciation of limitations of their intellectual horizon. It is no doubt a credit to the mercantilists that they demonstrated their sound commonsense in their study of various economic problems, e.g. the problem of unemployment. Some writers have said that they were more up-to-date in their analysis in this regard than the classical economists. 17

Similarly in regard to the controversy between spending and saving which looms so large to-day in economic literature, we find that the mercantilists anticipated the modern theory. They condemned hoarding in unequivocal terms by pointing out that it was locking up of money. 16 Inspite of all this we must note that

17. Reference may be made to "International Economy" (1950) by P.T. Ellsworth, pp. 52-53
18. Ibid.
mercantilist ideas were so crude in certain respects as to be almost shocking to the modern mind. In the mercantilist period the chief factor of production was labour and the mercantilists were entirely in favour of an increased supply of labour so that such labour might be fully utilised for the production of goods for the purpose of exports on a large scale. While, on the one hand, the mercantilists ascribed what might be called a role of strategic importance to labourers, on the other hand they entertained certain opinions about labourers which are not at all palatable to modern thinkers with pro-labour sentiments. They maintained that high wages were not at all desirable because they would encourage idleness and sloth. That high wages might lead to increased productivity was not at all appreciated by mercantilists. On the contrary, they wanted to keep the labourers as poor as possible so that they might be industrious. This seems rather strange because what it practically amounts to in the opinion of the mercantilists is that a nation might be highly prosperous and yet it would consist of poorly clothed,
only have a culture people. This is the idea of the paradoxical conclusion at which we arrive on the basis of more utilitarian theory. 16.

The other, indeed the culminating, point of this argument is clearly reflected in the writings of J. B. B. Stuart who, it has been said, despises a more utilitarian treatment of his time, but who was a more utilitarian in the conventional sense of the term. 30. Yet, as we find many of the illusions of utilitarianism from the more utilitarian evolution, from the point of view of society the most important thing to note is the fact that some things to which it was not previously devoted were by him. In fact, we see a picture of utilitarianism in his writings through the eyes of an anti-utilitarian by his opponent, the writer of "Standing on Induction" rather than the pattern of "illegality by direction." He took into consideration the possibility of thorough-going all-comprehensive planning in his story of the ancient republic set up by the Lycurgus in Sparta revealed.

30. The romance of life as told by St. L. (1907).
In his judgement it was the "most perfect plan of political economy", because it involved wholesale state regulation of production and distribution. The whole economy was characterised by simplicity and frugality; necessaries of life were adequately provided for everyone. At the same time, Stewart felt that "the enjoyment of them in so austere a manner would not be relished by any modern society."

Hence, he proceeded to give his own version of a planned economy. Dr. S.R. Sen has shown that Stuart, like many modern economists of the twentieth century, tried to reconcile economic society (that may be achieved in a state-controlled economy) with freedom and individual initiative, and hence he advocated a middle-course between rigid planning and the free-enterprise system. Dr. Sen observes: "It is indeed, strange to think that the economic programme advocated today by so many as an alternative to both Adam Smith and Karl Marx is essentially not so very different from what Stewart was prescribing long before Marx or even Smith came into the field. Had not the brilliance of Adam Smith and the laissez-faire spirit of the nineteenth..."
a century ebbed to obscurity and oblivion, it is not possible that the school of the 18th and 19th is not
merely too long to build up right now. We need a more rapidly developed economy.

Court advocated controlled economy in which the state was to assume a directive role. It was important to note, however, that he did not believe that the state could interfere with the proper rate of inflation. He was quite sure, however, that the state was to guide the economic laws along the right channels. For instance, in the matter of stabilization of the price of grain, he did not ignore the law of supply and demand, but so much influence him by various indirect means.

It is noteworthy that he advocated both by direct and indirect controls for the purpose of regulating the national economy. He considered that they were powerful engines in the hands of the state. Therefore, to be realistic monetary policy, and for this purpose, credit and currency systems were to be

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1. Id., p. 138.
properly developed. It was essential to increase the supply of money so that the rate of interest might be lowered. A low rate of interest was the very soul of trade.

As regards fiscal measures, he suggested the use of taxation and public expenditure as instruments of control. The statesman could achieve the most effective economic results by the use of the tools of taxation and expenditure. By the imposition of duties, the statesman could control the exports and imports of the country in any manner he liked. The statesman could also help or hinder any industry by encouraging or discouraging the consumption of its products through bounties or taxes. The method of public expenditure could also be used by the statesman, e.g., by undertaking public works.

Thus we find that Steuart advocated a comprehensive plan of control and regulation. The guiding principle of his scheme of control and regulation was the principle of general welfare which signifies that all particular interests or group interests must be subordinated to the general interest of the community. This principle was expressed in the form...
of the following instances: "And the well-being of the country in conjunction with temporary inconvenience to certain of the inhabitants, the general good must be preferred to particular considerate."