unanimous in their condemnation of monopoly, which wa defined broadly as any collusion to manipulate prices. First o all, monopolies were branded as "conspiracies" against liberty next, they were deemed injurious to the common weal becaus they created artificial scarcity; and finally, they were blamed for raising prices above the competitive level—that is, above the level that would prevail if there were no monopoly. Profits derived from monopolistic exploitation were stigmatized as *turpe lucrum*, or illicit gain, which, like usury, was subject to restitution.

Since the Doctors favoured market price, it should cause no surprise that they also were opposed to price discrimination. According to St. Bernardino of Siena, a seller ought not to take advantage of a buyer's ignorance, rusticity, or special need. In other words, prices ought to be the same to all, rich and poor alike. This was strictly in accordance with commutative justice, which, it is recalled, was based on equality and reciprocity. The theory of the just price was applied to wages also, since wages were defined almost as if they were the price of labour *(pretium laboris)*. Consequently, wages were determined by common estimation—that is, by the forces of supply and demand—excluding, of course, all attempts at exploitation. The author who gave the fullest treatment to this question was St. Antoninus, archbishop of Florence, to whom the purpose of wages was to enable the worker to support himself and his dependents on his social level. To achieve this purpose, St. Antoninus insisted upon punctual payment of the wage agreed upon and reproved employers who paid their workers in truck or in debased coin. He did not carry his criticism further, although he must have known that the wool and silk guilds of Florence attempted to keep wages down by using the antimonopoly legislation of the commune to prevent the formation of "brotherhoods" among the workers. In general, the Schoolmen were less favourable to the guilds than is generally assumed by Fabian socialists and Catholic historians who idealize the Middle Ages. Concerning wage differentials, Bernardino of Siena made the pertinent remark that skilled workers are better paid than unskilled because skill is scarce, for it is not acquired without toil and expensive training.

Monetary Theory and Usury

Monetary theory made little progress during the Middle Ages. The main author on this topic was Nicole Oresme (c. 1325–1382), who did not go much further than Aristotle. While neglecting monetary theory, most of the scholastic Doctors devoted an inordinate amount of space to usury, which they apparently regarded as a major social problem.

A great deal of misunderstanding exists about usury. According to modern concepts, usury is an exorbitant, oppressive interest rate; but the definition given by the Schoolmen was quite different. Usury was any increment, whether excessive or moderate, beyond the principal of a loan, or *mutuum*. Consequently, according to all the Doctors, usury occurred only in a loan. If it could be shown that a contract was neither explicitly nor implicitly a loan, there was no usury involved. Of course, a loan could be concealed under the color of another contract, which then became a contract *in fraudem usurarum*, or deceptively usurious. With this approach to the problem, it is easy to see how the usury question became a hotbed of elusive discussion. The scholastic definition of usury allowed the merchants to make the most of legal technicalities and the Doctors to display their talents for casuistry and subtle distinctions.

Banking is as good an example as any. Since lending at interest was forbidden, the bankers found another way of making profits—by dealing in foreign exchange. The purchase of a foreign draft, because of the slowness of communications, always involved granting credit as well as dealing in exchange. Interest was, of course, concealed in the rate, or price, of exchange. Nevertheless, the bankers argued that a *cambium*, or foreign-exchange, contract was not a loan, but a legitimate business transaction. Although the argument rested on sheer sophistry, it was accepted by the theologians unless the *cambium* contract was too patently a disguised loan, as in the case of dry, or fictitious, exchange. The practical result of this tolerance was to outlaw discounting but to tie banking to exchange.

No charge could be made for lending, but the lender was sometimes entitled to compensation for reasons extraneou to the loan. Thus there emerged the theory of extrinsic titles the three principal ones were *poena conventionalis, damnum enter-gens*, and *lucrum cessans*. *Poena conventionalis* was a penalty for tardy payment; *damnum emergens*, compensation for damages suffered by the lender. These two were readily admitted as valid; but not so *lucrum cessans*, or cessant gain, which meant that the lender might claim the same return as that yielded by rival or competing investments. Thus defined, *lucrum cessans* is in fact the same thing as the modern concept of opportunity cost. To admit this title, too, would have jeopardized the whole usury doctrine. *Lucrum cessans* was, therefore, rejected by Thomas Aquinas and most of the theologians. Later, in the sixteenth century, it was permitted by some latitudinarians, but only between merchants. The usury doctrine was the Achilles heel of scholastic economics. It involved the Schoolmen and their sixteenth-century and seventeenth-century successors in insuperable difficulties that contributed greatly to bringing their whole doctrine into disrepute.

Later Scholasticism

As already mentioned, Scholasticism continued to prosper throughout the sixteenth century and afterward. The late Scholastics of the school of Salamanca made some new contributions, mainly in refining the old doctrines. The quantity theory of money was accepted as a matter of course. More than ever the adherents of the new school insisted upon the fairness of market price in the absence of public regulation. Some of them, such as Martin Azpilcueta (1493–1586), better known as Dr. Navarrus, were very skeptical about the merits of price fixing because it was unnecessary in normal times and ineffectual in times of dearth. Luis de Molina, s.j. (1535–1601), more famous for his views on grace than for his economic theories, formulated the law of supply and demand by stating that "a concourse [*concurrentium*] of buyers, more considerable at one time than at another, and their greater eagerness to buy will drive prices up, whereas paucity of purchasers will bring them down" (*De justitia et jure* II, disp. 348, no. 4). He also insisted that value depended upon consumers' preferences rather than upon qualities inherent in commodities. A Belgian Jesuit, Leonardus Lessius (1554–1623), made two minor contributions: allowing monopolies with regulated rates for the common good and giving an accurate description of the Antwerp money market, implicitly recognizing the presence of interest concealed in the exchange rates. In the seventeenth century, the economic teachings of the scholastic school were systematically presented in the great synthetic works of cardinals Juan de Lugo, s.j. (1583–1660) and Giambattista de Luca (1613–1683), but they made no new contributions. Scholastic economics had reached maturity. By failing to renew its methods of analysis, scholastic thought fell into discredit and entered into a precipitous decline that involved other sciences and philosophy as well as political economy.

MERCANTILIST THOUGHT

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"Mercantilism" is the label commonly given today to the doctrine and practices of nation-states in the period roughly from the fifteenth to the eighteenth centuries with respect to the nature and the appropriate regulation of international economic relations. In this doctrine great emphasis is put on the importance of maintaining an excess of exports of goods and services over imports as the sole means whereby a country without gold or silver mines can obtain a continuous net inflow of the precious metals, regarded as essential to national wealth and strength. In the eighteenth century the elder Mirabeau and Adam Smith applied to this doctrine the terms "mercantile system" and "commercial system" to emphasize its contrast with the doctrine of the physiocrats, which minimized the importance of foreign trade and put its emphasis instead on the importance of agricultural production. In the 1860s German writers introduced the term *Merkantilismus;* corresponding terms, such as "mercantilism" in English, thereafter gradually became standard in all the languages of the Western world. The term is sometimes objected to because it is often used in a pejorative sense, or because it is held, justly, that although often so used, it inadequately represents the varied content of the economic thought of some four centuries. Similar objections can, of course, be made against most general abstract terms ending in "ism," but it does not seem possible to do without them and it does seem possible to use them with disciplined restraint. In this article an attempt is made to limit the application of the term to the special and dominant aspects of thought and practice with respect to international economic relations during the fifteenth to eighteenth centuries.

The Doctrine

The essentials of the doctrine can be summarized in terms of five propositions or attitudes: (1) policy should be framed and executed in strictly nationalistic terms, that is, national advantage alone is to be given weight; (2) in appraising any relevant element of national policy or of foreign trade, great weight is always to be put on its effect, direct or indirect, on the national stock of the precious metals; (3) in the absence of domestic gold or silver mines, a primary national goal should be the attainment of as large an excess of exports over imports as is practicable, as the sole means whereby the national stock of the precious metals can be augmented; (4) a balance of trade "in favour" of one's country is to be sought through direct promotion by the authorities of exports and restriction of imports or by other measures which will operate indirectly in these directions; (5) economic foreign policy and political foreign policy are to be pursued with constant attention to both plenty and "power" (including security under this latter term) as coordinate and generally mutually supporting national objectives, each capable of being used as a means to the attainment of the other.

This constituted the solid core of mercantilist doctrine, from which there was little dissent before the 1750s by writers on economic matters, but it left room for extensive debate within the ranks of adherents of the doctrine. There could be major differences in the reasoning presented for adherence to the respective propositions here listed, and there could be sharp differences of opinion as to the choice of means by which the accepted objectives could best be pursued.

Mercantilism was essentially a folk doctrine, evolved in the light of the prevailing historical circumstances and values by simple inference from the apparent facts. It was a doctrine of practical men not given to subtle economic analysis, which was in fact sparsely available in the age of mercantilism. The philosophers before the 1750s, the theologians, and the universities neither challenged it nor made any important contributions to it. It was not an area in which disciplined scholarship showed any deep interest.

Differences within the Doctrine

The most striking difference of doctrine within the ranks of the mercantilists turned on why the indefinite accumulation of the precious metals should be regarded as an important national objective. The terms "wealth," "treasure," and "riches" were used with considerable ambiguity, sometimes in a broad sense to cover stocks of valuable goods of any kind which could command a price, but more often in a narrow sense to signify only the precious metals. The narrow usage was occasionally extended to commodities (other than the precious metals) which had great durability and high value per unit of bulk, such as precious stones and even tin and copper. The emphasis with respect to enrichment, to economic improvement, was never in terms of the level of consumption, and when it was in terms of the level of production or output, it was usually with reference to the contribution such production could make, directly or indirectly, to the acquisition and retention of "wealth" or "riches" or "treasure" in the narrow sense. It was on *accumulation* that the emphasis was put, and there was a wide-spread assumption, tacit or explicit, on the part of the mercantilist writers of the period that accumulation over long stretches of time could be achieved only or predominantly by the piling up of stocks of durable and high-value-per-unit commodities, especially of the precious metals. Often the only link with consumption as an economic objective was the recognition of their ready convertibility through exchange into essential consumers' goods as a reason why a limited number of specified durable goods were to be regarded as preeminently constituting items of national "wealth" or "riches."

The emphasis on the "store-of-wealth" function of the precious metals competed, however, with the emphasis of other mercantilist writers on the "circulation" function of the

precious metals in their role as money, an emphasis whi
led to hostility to the use of the precious metals as hoards
in plate and jewelry. These writers believed that productio
and employment varied in physical volume in close proportio
with the variations in the amount of money in circulatio
They thus overlooked or denied that the main consequence
an increase in the amount of money might be a general rise
prices; they perhaps were taking for granted that there normall
existed large amounts of unemployed labour and natura
resources. At least for the later mercantilists emphasis tende
to shift from the store-of-wealth to the circulation function o
the precious metals. But when paper money was introduced,
it became more difficult to reconcile emphasis on circulation
with continuing stress on the importance of the precious metals and on a favourable balance of trade as the means of acquiring them. One method used was to deny the advantages of paper money, or to support limitations on the issue of paper money which would prevent it from acting as a stimulus to the export and a deterrent to the import of the precious metals. But as long as the emphasis continued to be on the circulation function of the precious metals, the absence of any obvious answer to the question why paper money could not perform this function adequately and more cheaply tended to lead either to a return to the older emphasis on the store-of-wealth function of the precious metals or to the substitution—for stress on the monetary and balance-of-trade aspects of mercantilism—either of protectionist ideas resting in large part on non-mercantilist arguments or of a new receptivity toward free trade ideas.

An additional and widely expounded ground for emphasis on the desirability of indefinite national accumulation of the precious metals was based on the observation that the rate of interest and the availability of credit varied with the quantity of money, the former in the inverse direction and the latter in the same direction. It was argued that cheapness and abundance of credit would promote enterprise, employment, and production and would increase the ability to compete in foreign trade by lowering the interest element in the costs of production of domestic goods. Before the 1750s no one appears expressly to have pointed out that a given increase in the national stock of money, to the extent that it caused a rise in the price level, would either leave the rate of interest unchanged or cause it to rise rather than to fall and would leave unchanged the real availability of credit, as distinguished from its amount measured in monetary terms. With the advent of paper money, moreover, it was no longer necessary to have a net inflow of precious metals from abroad in order to have an increase in the national stock of money.

Writers who saw an inflow of the precious metals as increasing the rate of employment of human and other productive resources presumably perceived that this would result in increased consumption on the part of the owners of these resources. There was also widespread—but by no means universal—acceptance of the general desirability of an increase in the population and the number of potential workers and no doubt a recognition that such an increase would involve increased consumption. But the emphasis on increased production was made to rest much more on the contribution it could make to a favourable balance of trade, on the support it could give to an increase in population, and on its role in alleviating the moral and other evils of involuntary unemployment, of vagrancy, and of pauperism than on an acceptance in principle of the desirability of a higher level of per capita consumption for the general public. "Luxury" expenditures, for example, on the part of the working classes were almost universally deprecated, and even for the well-off were much more often disapproved than approved, except as they were believed to be necessary means to the employment of otherwise idle resources or to the maintenance of appropriate status and dignity for the upper classes. Increase in production was sought primarily for the contribution it could make to the accumulation of wealth in the form of durable, valuable commodities, at least if one judges by what the writers of the period expressly said.

Implementation

In the early stages of mercantilism it was often the practice to seek the general objectives by more or less direct and particular regulation of the details of individual commercial transactions involving trade with foreigners. Thus, in England