

Natural Law and the Rise of Economic Individualism in England

Author(s): Alfred F. Chalk

Source: *Journal of Political Economy*, Aug., 1951, Vol. 59, No. 4 (Aug., 1951), pp. 332-347

Published by: The University of Chicago Press

Stable URL: <http://www.jstor.com/stable/1826729>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

NATURAL LAW AND THE RISE OF ECONOMIC INDIVIDUALISM IN ENGLAND

ALFRED F. CHALK

Texas A. and M. College

ALL students of the history of economic thought are aware of the important role played by the "laws of nature" in the classical pattern of economic ideas. Little attention has been devoted, however, to the origin and early development of the interpretation of natural law that is typified in Smith's *Wealth of Nations*. Those works which deal with various aspects of the rise of economic individualism usually refer to natural law only in the form of *obiter dicta*.¹ Although numerous specialized studies are available which deal with the place of the law of nature in ancient and medieval thought, no thorough analysis has yet been made of the new interpretation of natural law that evolved during the sixteenth and seventeenth centuries. The purpose of the present paper is to sketch briefly the early development of this new interpretation, which was destined to become an integral part of classical economics.²

¹ Two good examples are Harold Laski's *The Rise of European Liberalism* (London: George Allen & Unwin, 1936) and H. M. Robertson's *Aspects of the Rise of Economic Individualism* (Cambridge: At the University Press, 1933). Although spokesmen for economic individualism used natural law as a basic analytical tool, the authors of such works as the above make few explicit references to the role played by the laws of nature. Of course, no treatment of the growth of economic individualism could fail to recognize implicitly the importance of natural-law doctrine. The present paper may be regarded, therefore, as an effort to give more explicit attention to the place of natural law in the evolution of the philosophy of individualism.

² Limitation of space has precluded reference to Continental authors who contributed to the forma-

tion of this theory. Despite their importance, it is probably true that the major contributions were made by English writers. For support of this point see n. 85.

During the later Middle Ages, theologian-philosophers began to synthesize Christian theology and Aristotelian philosophy. The most famous of these syntheses was that of Thomas Aquinas, whose *Summa theologica* is still regarded as authoritative in Catholic circles. In essence, natural law was used by Aquinas and other Scholastics as the basis for a rationalization of static social and economic relationships. In the Thomistic system, economic inequalities were justified because they existed by virtue of the laws of nature and providence. Thus the Stoic tradition of equality was broken, for Aquinas agreed with Aristotle that slavery and social inequality were in accord with natural law. As regards trade and commerce, the medieval belief was that economic activity motivated primarily by a desire for gain or profit violated both natural and divine law. Hence the church attempted to establish moral precepts which would at all times take precedence over the expediency of market forces. In brief, the spirit of Thomism was, in most respects, the antithesis of that which was later to prevail during the liberal revolution.

It was during the latter half of the sixteenth century that the new ("liberal") interpretation of natural law began to evolve in England. About that date, for the first time in the history of natural-

law doctrine, writers began to argue that man's freedom to pursue his own economic interests would, through the operation of natural law, promote social welfare. In portions of *A Discourse of the Common Weal of This Realm of England* (1549), there is only an implicit acceptance of this view. Almost a century and a half later, however, the new theory of natural law was to be more explicitly formulated in the various works of William Petty and John Locke. During this interval, therefore, a theory was developing which would provide much of the foundation for the eighteenth-century conception of a "natural" identity of private and social interests. Not only did this new interpretation run counter to the medieval point of view, but it likewise obstructed the efforts of early Puritan leaders to establish religious and moral precepts as guides for economic behavior. The form in which natural-law doctrine began to evolve during the sixteenth century thus constituted a sharp break with the past and presaged the victory of a revolutionary new conception of economic morality.

The period encompassed by the present paper (approximately 1550-1690) was one during which the mercantilist point of view predominated in the economic speculations of English writers.³ Throughout this period, however, mer-

³ Any fixed dates which might be given for the origin and decline of mercantilist ideas would be arbitrary. It is nonetheless true that mercantilism, as a body of economic rationalizations, began to assume importance in England by the middle of the sixteenth century. For example, Eli Heckscher (*Mercantilism*, trans. Mendel Shapiro [London: George Allen & Unwin, 1934], II, 227) refers to the *Discourse of the Common Weal* (1549) as "the first work representing, on the whole, the outlook of a mature mercantilism." Furthermore, many authorities agree that the popularity of mercantilist ideas began to decline after the publication of the works of such men as Dudley North, Charles Davenant, and Nicholas Barbon.

cantilist doctrine contained a dualism which has special relevance for a study of the history of natural-law theory. On the one hand, mercantilists favored the extensive use of statutory law to control many aspects of economic life. This interventionist phase of mercantilist theory has received major attention, but it is no less true, on the other hand, that English mercantilist literature contained much that can be properly regarded as an anticipation of laissez faire theory.⁴ This dualism can be best appreciated if one recalls that many of the mercantilist tracts contained sharp criticisms of government efforts to control domestic trade, prices, etc.

As a matter of fact, during the entire mercantilist period frequent and vigorous protests were made against the restrictive legislation which had resulted from the rise of the national state and the granting of monopoly privileges to certain companies and individuals. One economic historian has described mercantilism as an intended "alliance between the state and growing capitalist interests."⁵ This alliance was unsuccessful partly because it was an effort to extend the "medieval idea of privilege as the basis of activity."⁶ From its inception, the practice of granting monopoly privileges called forth sharp criticism, and it was out of these early protests against monopoly that a theory of natural law developed which purported to prove that the free play of market forces would have beneficent effects. During the sixteenth and

⁴ The "anticipation" of liberalism in mercantilist doctrine has been neglected by some authorities. Perhaps the best treatment of this aspect of mercantilist thought is contained in Heckscher, *op. cit.*, II, 269-316. Another good discussion of this dualism is contained in E. Lipson, *The Economic History of England* (London: Adam & Charles Black, 1948), II, lxxiv-cxlix.

⁵ Robertson, *op. cit.*, p. 76.

⁶ *Ibid.*, p. 77.

seventeenth centuries an increasing number of writers spoke of the futility of trying to legislate concerning prices, the flow of trade, and similar matters.

This distrust of legislation as a solution of economic problems found expression in economic literature in the middle of the sixteenth century. Among the economic tracts published during this century, the *Discourse of the Common Weal* probably expressed more clearly than any other the conviction that much of the state regulation of economic life was both futile and harmful. Although the author of this work emphasized the need for state action to assure an abundant supply of the precious metals, he nevertheless doubted the efficacy of state regulation in many other fields of economic activity.⁷

One of the most distinctive features of the *Discourse* is the analysis of various problems arising from the enclosure movement. The conversion of arable to pasture land was one of the most debated issues of the sixteenth century, and much space in this dialogue is devoted to a discussion of possible solutions of the problem. In this connection the thesis is developed that market forces are more

⁷ *A Discourse of the Common Weal of This Realm of England*, ed. E. Lamond (Cambridge: At the University Press, 1929), pp. 48–60. Miss Lamond established the probability that this dialogue was written in 1549, although it was first published in 1581. The authorship of the tract has been widely disputed since its original publication, and conclusive evidence of authorship is not yet available. Most modern authorities have accepted the opinion of Miss Lamond that John Hales was the author, but a French writer, Jean-Yves Le Branchu (*Écrits notables sur la monnaie* [Paris: Librairie Félix Alcan, 1934], I, lxvi–lxxx), has attributed authorship to Sir Thomas Smith. The case presented by Le Branchu is so strong that it very seriously weakens the position taken by Miss Lamond. However, no documentary evidence has yet been presented which definitely establishes the authorship of this work. The issue may be resolved when a careful study is made of the Hatfield MS, which was discovered after the death of Miss Lamond.

powerful determinants of prices than are any legislative enactments. Furthermore, the operation of these market forces is apparently regarded as the functioning of inexorable natural laws, which provide the best possible guide for economic policy.

Fundamentally, the author's position is that the profit motive should be the incentive used to solve any "dearthes" that may arise in an economy. We find in this tract one of the earliest detailed arguments supporting the theory that the primary motivation for economic activity must be pecuniary considerations. In this respect, one of the basic presuppositions of classical economic thought is made explicit. The importance attributed to the profit motive is, in turn, implicitly treated as a corollary of the free market, wherein the forces of supply and demand are not restricted in any manner by legislative enactment. In the quotations which follow, a respect for the profit motive can easily be discerned. Furthermore, it will be shown below that the analysis of price adjustments in the *Discourse* anticipated much of the price theory of later economists.

In the second dialogue of the *Discourse*, the Doctor says the solution of the problem of the conversion of arable to pasture land lies in providing a sufficient profit incentive to induce the greater cultivation of land. Thus he argues that, whenever people "find more proffitt by pasture then by tillage, they will still inclose, and turne arrable landes to pasture."⁸ This process of conversion will continue, therefore, just so long as pecuniary rewards are greater for the use of land as pasture, and no legislation will be of any avail in remedying the situation. A disbelief in the efficacy of legislation concerning such economic problems

⁸ *Discourse of the Common Weal*, p. 50.

is repeated so often that the meaning is not subject to doubt:

For euerie man will seke wheare most advantage is, and they see there is most advantage in grasinge and breedinge than in husbandrie and tillage, by a great deale. And so longe as it is so, the pasture shall [euer] encroche vpon the tillage, for all the lawes that euer can be made to the contrarie.⁹

The same thesis is echoed in the following passage, where the Doctor is speaking of the profit motive and the futility of legislating concerning the enclosures:

I wote well thei doe not, and therefore it weare hard to make a lawe therein, (so manie as haue proffitt by that matter resistinge it). And yf such a law weare made, yet men studiinge still there most proffitt, would defraud the lawe by one meane or other.¹⁰

The argument concerning the profit motive is not meant to apply only to agricultural matters. It is rather postulated as a universal law of human behavior, which decrees that man will always seek to maximize profits. Profit "nourishes" the best faculties in man, and the profit motive is therefore beneficent in its effects. The aspect of beneficence is made explicit in the *Discourse*: "Is it not an old saying in [latten], honos alit artes, that is to saie, proffitt or aduancement nourishethe euerie facultie; which sayinge is so true, that it is allowed by the common Judgement of all men."¹¹

The answer to the enclosure problem thus becomes obvious. A solution can be

⁹ *Ibid.*, p. 53. During the last half of the sixteenth century a new criterion began to be offered as the basis for determining whether land was being used to best advantage. The conviction soon prevailed that the use of land should "be determined by considerations of what was most profitable," and the landowner was "encouraged to give free reins to the promptings of personal gain" (Lipson, *op. cit.*, II, lxviii).

¹⁰ *Discourse of the Common Weal*, p. 50.

¹¹ *Ibid.*, p. 57.

found only if we "make the proffitt of the plow to be as good, rate for rate, as the proffitt of the graisiers and shepmasters."¹² The author's regard for the profit motive is such that he can say that all men should "be prouoked to good deades by rewardes and price."¹³ In brief, the whole process of providing incentives for economic activity is to be found in the natural law of self-interest, for "euerie man naturally will folow that whearin he seeth most proffitt."¹⁴ This is surely a very close approximation to Adam Smith's views concerning the self-interest motive in economic activity.

There is evidence in the *Discourse* that the effort to identify private and social interests had already begun in the middle of the sixteenth century. In the second dialogue the Knight argues that what is "profitable to one maie be profitable to another," and he further indicates that this argument was widely used in defense of the enclosure movement:

I haue hard oftentimes much Reasoninge in this matter; and some, in mainteyninge these Inclosures, would make this Reason. Euerie man is a member of the common weale, and that that is profitable to one maie be profitable to another, yf he would exercise the same feat. Therefore that is profitable to one, and so to a nother, maie be profitable to all, and so to the common wealth.¹⁵

The dialogue contains certain preconceptions regarding human nature which were to be developed and refined at a later date by economists and philosophers. For example, self-interest is regarded as the most, if not the only, reliable motivating force in economic behavior. Furthermore, the author apparently believes human nature is determined by certain universal laws which

¹² *Ibid.*, p. 53.

¹⁴ *Ibid.*, p. 60.

¹³ *Ibid.*, p. 59.

¹⁵ *Ibid.*, p. 50.

are more powerful than environmental factors which may influence individual behavior. His assertion that men should be “prouoked to good deades by rewards and price” is a clear indication of the extent to which medieval economic ideas were being undermined. In such fashion was the surrender of religious precepts to the rule of economic expediency beginning to take place in English economic thought.¹⁶

Not only is the desire for profit the natural and universal guide for economic activity, but the mechanism of a free market automatically adjusts prices in such a way as to assure the public of an abundant supply of goods at low prices. The author of the *Discourse* anticipates much of the theory of later orthodox economists, for he emphasizes the automatic adjustment of relative prices, which ostensibly allocates productive resources in the most efficient manner possible. In order to increase the amount of cultivated land in relation to pasture, it would be necessary only to permit the price of corn to rise and fall as the free-market forces dictate, and the farmers would, on the basis of the market price, make the necessary adjustment in the volume of corn produced:

KNIGHT: How could youe haue them better cherished to vse the plowghe?

DOCTOR: To let them haue more proffitt by it then they haue, and libertie to sell it at all times, and to all places, as frely as men maie doe theire otheir things. But then no dowbt the price of corne would rise, specially at the first more then at the lengthe; yet that price would provoke everie man to set plowghe in the ground, to husband waste groundes, yea to turne the landes which he Inclosed from pasture to arable lande; for every man will

¹⁶ For a penetrating discussion of the “amoral” character of mercantilist doctrine see Heckscher, *op. cit.*, II, 286–302. In mercantilist literature the law of nature was simply divested of almost all its religious, and even ethical, overtones.

the gladder folow that whearin they se the more proffitt and gaines.¹⁷

One of the most interesting aspects of the *Discourse* relates to the contrasting views that are presented with respect to the functioning of a free market in domestic and in international trade. Although the author thought “natural” market forces would solve many of the problems of internal trade, he was nevertheless convinced of the necessity for state intervention in the area of international markets. Thus in foreign trade we must “alwaies take hede that we bie no more of strangers then we sell them,” since by that process we “sholde empouerishe owr selves and enriche theme.”¹⁸ The principle of the free play of market forces is not applicable, therefore, to international trade, for treasure might be lost through an import balance of trade.¹⁹

As one might surmise, the influence of Aristotle is apparent throughout much of the *Discourse*. The effort to rationalize self-interest on the basis of natural law is developed at greater length than in the works of any previous writer, but much of this economic individualism is adumbrated in Aristotle’s *Politics*. One should remember that it was Aristotle who said “the love of self is a feeling implanted by

¹⁷ *Discourse of the Common Weal*, p. 59.

¹⁸ *Ibid.*, p. 63. Another clear statement of mercantilist foreign-trade doctrine occurs on pp. 66–67, wherein the Knight and the Doctor agree concerning the desirability of prohibiting the importation of any goods which might be produced in the home market.

¹⁹ This is not to imply that mercantilists consistently favored the abandonment of efforts to control all internal prices. For example, most mercantilists thought positive measures should be taken to assure continued low wages. For a thorough documentation of this point see Edgar Furniss, *The Position of the Laborer in a System of Nationalism* (New York: Houghton Mifflin Co., 1920), pp. 117–56.

nature,"²⁰ and it was also Aristotle who used natural-law theory to defend vigorously the right of private property against the attacks of Plato in the *Republic*. Evidence of Aristotle's influence is contained in the third dialogue of the *Discourse*, where the Doctor says that Aristotle is "the sharpest philosopher of witt that ever was."²¹ Much of Aristotle's economic individualism, which had been rejected or ignored by the medieval divines, was revived in the sixteenth and seventeenth centuries by those who spoke for the new commercial class.

The idea that natural market forces should be allowed freedom to function was by no means confined to a small group of reformers. On the contrary, a number of sixteenth- and early-seventeenth-century documents testify to the growing belief in the beneficent effects of prices which are established through the free play of market forces. Some brief quotations from a few of these documents will illustrate the trend that economic thought was beginning to take during this period.

In a document written in 1549, an unknown writer cautioned repeatedly against efforts to control prices by legislative decree.²² Although the general tenor of the work is of an interventionist character, the author advises against the attempts of the government to set maximum prices for certain basic foodstuffs. In fact, he is of the opinion that the high

price of food has been partly a *result* of governmental regulations:

But ther is yet one other thing which wolde helpe somewhat for the chepnes of victuall, and that is, yf neyther the lorde Mayour of London nor no other officer might haue none auctorrite to sette euery price of victuall.²³

The author of the tract becomes even more explicit when he argues against price controls on the basis of past experience:

I marvell therfor that this foresaid auctorrite is not taken a waye frome the foresaid officers, seinge that the longe experience haue so well declarid that the foresaid settinge of prices of victuall, do nothing at all bringe downe the high price thereof . . . but surely it is not the settinge of lowe prices that will aney thinge a mende the matter.²⁴

The foregoing argument is virtually duplicated in an economic document dated December 4, 1550. When John Mason wrote a friend about the problem of high prices, he alleged that high prices could not be remedied by legislation, since nature's forces were too strong to be resisted:

I have seen so many experiences of such ordinances; and ever the end is dearth, and lack of the thing that we seek to make *good cheap*. Nature will have her course, etiam si furea expellatur; and never shall you drive her to consent that a *penny*-worth of new shall be sold for a farthing. . . . For who will keep a cow that may not sell the milk for so much as the merchant and he can agree upon?²⁵

Here the meaning of the argument is beyond question, for the essential attribute of all natural-law theory is contained in the statement that "nature will have her course." Furthermore, in such passages as the foregoing, there is the beginning of an entirely new interpretation of

²⁰ Aristotle *Politics*, Jowett trans. (London: Oxford University Press, 1916), p. 57.

²¹ *Discourse of the Common Weal*, p. 109. For other references to Aristotle, see pp. 73 and 108.

²² "Policies To Reduce This Realme of Englande unto a Prosperus Wealth and Estate" (1549), included in *Tudor Economic Documents*, ed. R. H. Tawney and E. Power (London: Longmans, Green & Co., 1924), III, 311-45.

²³ *Ibid.*, p. 339.

²⁴ *Ibid.*, p. 340.

²⁵ *Tudor Economic Documents*, II, 188.

the function or purpose of natural law. The medieval interpretation, as typified in the writings of Aquinas, was that natural law should be subsumed under the divine law. For Aquinas, the exercise of economic controls was in most instances in strict accord with the principles of both natural and divine law. The medieval doctrine of natural law did not give free play to the self-interest of a group of "economic men" bargaining in a free market. In most respects, the new sixteenth-century doctrine of the merchant class was the antithesis of the Thomistic view that the church and/or the state should regulate prices whenever they caused undue hardships. The change in point of view during the sixteenth century has been described by Tawney in his remarks concerning the moral confusion of the common man during this period of English history: "A century before he had practiced extortion and been told that it was wrong: for it was contrary to the law of God. A century later he was to practice it and be told that it was right: for it was in accordance with the law of nature."²⁶

In other words, it was the "whole conception of a social theory based ultimately on religion which was being discredited."²⁷ Thus the merchant, in Thomas Wilson's dialogue, is made to express the view that the activities of merchants must not be "over thwarted by preachers and others, that can not skill of their dealings."²⁸ The Puritan divines of the sixteenth century were by no means willing to accept the new commercial morality of their day, and the merchant in Wilson's dialogue represents

the growing opposition of the commercial class to the efforts of religious leaders to exercise moral authority and control over business transactions. It is worth noting that the merchant in Wilson's *Discourse* expresses sentiments quite similar to those found in the *Discourse of the Common Weal*:

For, I pray you, what trade or bargayning can there be among marchants, or what lending or borrowing among al men, if you take awaye the assurance and hope of gayne? What man is so madde to deliver his moneye out of his owne possession for naughte? or whoe is he that will not make of his owne the best he can? or who is he that will lende to others and want him self? You see all men now are so wise, that none will lend for moone shine in the water; and therefore, if you forbid gaine, you destroy entercourse of merchandize, you over throwe bargayninge.²⁹

The foregoing argument is, of course, directed against the laws prohibiting usury, but the same traditional arguments concerning free markets are found in Wilson's work. The merchant in the dialogue epitomizes the new economic morality of the businessman, who insisted that the "hope of gayne make the men industrious and, where no gayne ys to bee had, men will not take paynes."³⁰ In business transactions there can be no moral rules which preclude the taking of whatever the impersonal forces of the market will permit, for "a man may take as much for hys owne wares as he can gette."³¹ Such was the attitude which finally prevailed more than two hundred years after Wilson wrote his book.

Continuing evidence of the importance of this revolt against economic controls can be found in speeches made by Sir Walter Raleigh in 1601. He frequently appeals for political and economic freedom, and he advises against efforts which were being made to prescribe the type of

²⁶ R. H. Tawney, Introduction to Thomas Wilson, *A Discourse upon Usury* (London: B. Bell & Sons, Ltd., 1925), p. 121.

²⁷ *Ibid.*, p. 170.

²⁸ *Ibid.*, p. 250.

²⁹ *Ibid.*, p. 249. ³⁰ *Ibid.*, p. 250. ³¹ *Ibid.*, p. 251.

crops which landowners might produce: "For my part, I do not like this constraining of men to use their groundes at our wills. Rather let every man use his ground to that which it is most fit for, and therein use his own discretion."³² His position is summarized quite succinctly when he says the best policy with respect to agriculture is to "set corn at liberty and leave every man free."³³

The emphasis on freedom and natural rights in the economic sphere was quite clearly evident in the report of a committee of the House of Commons in 1604. This report emphasized the necessity of giving men economic freedom and criticized the granting of monopoly rights as a violation of natural rights:

All free subjects are born inheritable, as to their land, so also to the free exercise of their industry, in those trades whereto they apply themselves and whereby they are to live. Merchandise being the chief and richest of all other, and of greater extent and importance than all the rest, it is against the natural right and liberty of the subjects of England to restrain it into the hands of some few.³⁴

When a committee of the House of Commons speaks of economic restraints as being "against the natural right and liberty" of the people, one may be reasonably sure that natural-law doctrine was being accepted by an important seg-

³² Edward Edwards, *The Life of Sir Walter Raleigh* (London: Macmillan & Co., 1868), I, 272.

³³ *Ibid.*, p. 273.

³⁴ *Commons' Journals* (May 21, 1604), I, 218. In this same passage an attack against monopolies is based upon "natural-right" doctrine. Thus the report criticizes a monopoly which restrains a commodity "into the hands of so few, in proportion, to the Prejudice of all others, who, by Law and natural Right, might have interest therein."

It was during this period that the common-law rule against restraint of trade began to crystallize. For a brief discussion of early court decisions which established this rule see Walton Hamilton, "Common Right, Due Process, and Antitrust," *Law and Contemporary Problems*, VII (1940), 26-29.

ment of English society. The interests of the merchant class were thus being consulted at every turn, and the criticisms of the use of monopoly power by a few trading companies were being based on natural-law theory to an increasing degree.

In a memorandum dated July 5, 1607, certain problems concerning the enclosure movement were discussed in a manner quite similar to that used in the *Discourse of the Common Weal*. The sentiment expressed in this memorandum is strongly in favor of reliance upon free-market forces as the basis for determining the relative amounts of different agricultural commodities which should be produced. The profit motive is held to be the desirable guiding force in productive activity. Furthermore, the identity-of-interests argument is rather clearly stated, for it is asserted that "the good individuall is the good generall."³⁵ In this document the author argues that the amount of corn produced will continue at a high level because the farmer has been receiving a high price and "his only ende is profite."³⁶ This is the manner in which the appeal was being made to self-interest in both agricultural and commercial activities.

During the early decades of the seventeenth century the conviction that the flow of trade was subject to inexorable natural laws was becoming a commonplace. Thus the famous mercantilist Edward Misselden remarked: "Trade has in it such a kind of natural liberty in the course and use thereof, as it will not endure to be fors't by any."³⁷ The memoirs

³⁵ "A Consideration of the Cause in Question before the Lords Touchinge Depopulation" (1607), included in the appendix of W. Cunningham's *The Growth of English Industry and Commerce* (Cambridge: At the University Press, 1903), III, 899.

³⁶ *Ibid.*

³⁷ Edward Misselden, *Circle of Commerce* (1623 ed.), p. 112.

of Thomas Papillon, a seventeenth-century merchant, reveal that he had similar convictions regarding governmental efforts to regulate the flow of trade.³⁸ He argues, for example, that “trade will not be forced but will have its course; If it meets with a Stop in one place, it will find a Vent another way.”³⁹ The apparently irresistible power of nature’s processes was becoming almost a fetish among the authors of economic tracts.

Such quotations clearly indicate the direction which natural-law theory was taking during the early part of the seventeenth century. Not only was the theory gradually becoming more explicit, but it was also being applied to a greater variety of economic problems. Yet this trend did not result in the formulation of an integrated philosophy of laissez faire during the seventeenth century. As early as the middle of the century, however, one finds the law of nature being used to support the argument that social and private interests are identical. Thus Joseph Lee, a country clergyman, says it is “an undeniable maxime, that every one by the light of nature and reason will do that which makes for his greatest advantage.”⁴⁰ He then proceeds to develop the identification-of-interests argument:

The advancement of private persons will be the advantage of the publick: if Merchants do buy an advantageous commodity, hath not the Common-wealth an advantage thereby, as well as themselves? . . . So whatsoever benefit we make to ourselves, tends to the publick good.⁴¹

Although Lee’s statement of the identity-of-interests doctrine was unusually clear for that period, it is nevertheless

³⁸ A. F. W. Papillon, *Memoirs of Thomas Papillon* (Reading, England: J. J. Beecroft, 1887).

³⁹ *Ibid.*, p. 142.

⁴⁰ Joseph Lee, *A Vindication of a Regulated Enclosure* (London, 1656), p. 9.

⁴¹ *Ibid.*, p. 22.

true that natural-law theory was being used more and more frequently in support of the growing spirit of economic individualism. A steady stream of criticism was directed against efforts to legislate concerning prices, the flow of trade, etc. In almost all these critical remarks, there was an explicit or implicit acceptance of the view that economic activity was subject to universal, immutable laws. Roger Coke voiced an increasingly popular sentiment when he said he would “never believe that any man or Nation ever well attain their ends by forceable means against the Nature and Order of things.”⁴²

The growth of a spirit of economic individualism during this period is clearly reflected in an increasing tendency to glorify the role played by self-interest in economic affairs. Authors of economic tracts repeatedly asserted that any efforts to legislate against the pursuit of self-interest would be both futile and harmful. In pursuing their own interests, men were said to be acting in accord with a universal law of human nature. The unknown author of *Britannia languens* expressed this idea rather bluntly when he said that “no *Statutes*, *Nay*, or *Preaching*, though never so *learned* or *florid*, can prevail with necessitous men.”⁴³ Samuel Fortrey was developing a similar thesis when he argued that “interest more than reason commonly sways most men’s affections.”⁴⁴

More specifically, a large number of seventeenth-century writers regarded the

⁴² Roger Coke, *Treatise III*, p. 57, quoted in Heckscher, *op. cit.*, II, 309.

⁴³ *Britannia languens* (1680), reprinted in *Early English Tracts on Commerce*, ed. J. R. McCulloch (London, 1856), p. 376. The authorship of this tract is commonly attributed to William Petyt.

⁴⁴ Samuel Fortrey, *England’s Interest and Improvement* (1663), reprinted in *Early English Tracts on Commerce*, p. 219.

desire for profit as the most salutary basis for economic action. This attitude was nowhere more prevalent than in discussions concerning the advisability of preventing the free movement of bullion between nations. From the establishment of the East India Company in 1600, the prohibition against exporting bullion had been the subject of increasing controversy. In 1660, for example, antagonism toward such restrictions was reflected in a report of the Council of Trade. It is significant that this group objected to the restrictions largely on the basis of the alleged futility of forbidding the exportation of the precious metals when it would be "profitable" to traders. The consensus of the council was that trade could not be "forced" by the passage of laws, for merchants would always find a way of avoiding the regulations when it was profitable to do so.⁴⁵ The opinion of the Council of Trade is expressed in the following excerpt from its report:

The result at last would be no more but what experience hath already taught, that Money and Bullion have always forced their way against the several laws; that the trade of the world will not be forced, but will find or make its own way free to all appearances of profit.⁴⁶

The desire of the traders for profit thus dictates the movement of the precious metals, for "it is impossible by any laws to restrain Money and Bullion against the use that traffic finds for the same."⁴⁷

⁴⁵ Many such arguments were obviously made by spokesmen for the large trading companies. Whatever may have been their motives for such arguments, the important fact is that the rationalizations postulated the existence of more or less impersonal, universal laws over which men could exercise no control. These laws were, of course, "laws of nature."

⁴⁶ *Advice of His Majesty's Council of Trade* (1660), reprinted in *A Select Collection of Scarce and Valuable Tracts on Money*, ed. J. R. McCulloch (London, 1856), pp. 148-49.

⁴⁷ *Ibid.*, p. 149.

All legislation concerning this problem would, in the words of Thomas Mun, be "not only fruitless but also hurtful."⁴⁸ For Mun and many of his contemporaries the forces of the market thus assumed the character of inexorable laws of nature. No legislation could effectively prevent the movement of metals to the places where traders could earn the highest profit. We may refer again to the work of Fortrey for a clear statement of this thesis:

And our gold being of less value at home than it is abroad it hath been all conveyed away within these few years: and laws to prevent it shall always prove fruitless, when it is advantageous to do it; there being means sufficient to be found to effect it, by such as shall find it profitable.⁴⁹

The excerpts given above indicate the "piecemeal" and inconsistent fashion in which the new interpretation of natural law had begun to insinuate itself into economic literature. Thus some writers had used natural-law doctrine to support their arguments in favor of the enclosure movement. Others had occasionally resorted to this doctrine in their attacks against efforts to control internal prices. Still others had argued that attempts to regulate the flow of gold and silver were futile because they violated the laws of nature. However, such isolated arguments were soon to be integrated into a more or less consistent system of economic theory. This movement toward integration began during the last quarter of the seventeenth century, and its rapid progress is well known to those who have studied the development of economic thought.

⁴⁸ Thomas Mun, *England's Treasure by Forraign Trade* (1664) (London: Basil Blackwell, 1928), p. 87. In this same passage Mun says the supply of the precious metals adjusts itself to the balance of trade and this "must come to pass by a Necessity beyond all resistance."

⁴⁹ Fortrey, *op. cit.*, p. 240.

One of the earliest, and certainly one of the best, examples of the new trend in economic thought is found in the works of Sir William Petty, who wrote during the period of "transition" from mercantilism to *laissez faire*.⁵⁰ Although Petty subscribed to a number of mercantilist ideas, the general "tone" of his works reflects the extent to which economic individualism was gaining the upper hand in English thought. At the heart of this increasingly popular philosophy of individualism lay a belief in universal and beneficent laws of society.

Petty is probably best known in the history of economic thought for his consistent efforts to find an empirical basis for economic theory. As an avowed empiricist, he was fully aware that his methodology constituted a new approach to economics. Thus he boldly asserted that his economic theory, unlike that of his predecessors, was based exclusively upon observed facts:

The Method I take to do this, is not yet very usual; for instead of using only comparative and superlative Words, and intellectual Arguments, I have taken the course . . . to express myself in terms of *Number, Weight, or Measure*; to use only Arguments of Sense, and to consider only such Causes, as have visible Foundations in Nature.⁵¹

Petty was quite clearly making an effort to avoid the pitfalls of what he regarded as the traditional metaphysical approach to economic theory. Despite his effort to be a thoroughgoing empiricist, however, he frequently resorted to the use of metaphysical absolutes. This was, of course, merely a reflection of his intellectual environment, for the

⁵⁰ The term "transition" is that used by Heckscher (*op. cit.*, II, 323).

⁵¹ *Economic Writings of Sir William Petty*, ed. C. H. Hull (Cambridge: At the University Press, 1899), I, 244. Subsequent references to Petty's writings are from this edition of his works.

greatest scientists and philosophers of that period used similar analytical tools.⁵² If such a renowned physicist as Newton could speculate freely about "absolute" space and time, it is not difficult to understand why social theorists should have assumed the existence of absolute social laws.

The works of Petty offer an excellent illustration of the impact of natural science on social theory during the latter part of the seventeenth century. In this "century of genius," no writer could long remain unaffected by the revolutionary developments in such fields as biology, physics, and mathematics. However, Petty was influenced more than most social scientists of his day because his training and experience gave him an unusually clear appreciation of the accomplishments of natural science. As a doctor of medicine, he acquired an early interest in biology, and his knowledge of mathematics was at least sufficient to enable him to become renowned for his work as a surveyor in Ireland. Perhaps even more important were the associations he had with members of the Royal Society, of which he was a charter member.

In an important sense the pioneering work in statistics by John Graunt, Petty, and Gregory King was a reflection of the influence exerted by natural science on the study of social phenomena.⁵³ Although most of these early studies were confined to the area of statistical demography, they prepared the way for subse-

⁵² For an excellent discussion of the metaphysical content of the physical sciences, e.g., Newton's physics, see E. A. Burt, *The Metaphysical Foundations of Modern Physical Science* (New York: Harcourt, Brace & Co., 1927).

⁵³ For a discussion of the importance of the work done by these men see A. Wolf, *A History of Science, Technology, and Philosophy in the Sixteenth and Seventeenth Centuries* (New York: Macmillan Co., 1935), pp. 587-613.

quent empirical research in related fields. In any case the interest in quantitative measurement of social data indicates that social scientists were beginning to appeal to facts in much the same fashion that biologists and physicists were basing their theories upon the experimental facts of the laboratory. It was not mere chance that Petty chose to call one of his important works *Political Arithmetick*.

From the point of view of the development of economic theory, the emergence of a scientific philosophy of determinism was possibly the most significant fact of the seventeenth century. The great creative minds in mathematics, biology, physics, etc., gradually came to view the world as an intricate machine in which each part played a role that was rigidly predetermined by inexorable laws.⁵⁴ Newton's *Principia*, published in 1687, provided the basis for a mechanistic outlook which would encompass the universe.⁵⁵ In such a climate of opinion, social scientists began to search for a body of laws which would reveal a harmonious social order similar to that which physical scientists had discovered in their researches.⁵⁶

⁵⁴ See A. N. Whitehead's discussion of the emergence of "materialistic mechanism" in his *Science and the Modern World* (New York: Macmillan Co., 1935), pp. 66-75.

⁵⁵ Many prominent scientists of the late seventeenth century did not adhere to a mechanistic philosophy, although their work was frequently used by others as the basis for this type of philosophy. Thus Newton thought his work strengthened "a spiritual view of reality" (Cecil Dampier, *A History of Science* [New York: Macmillan Co., 1944], p. 187). Even before Newton published his work, however, the mechanistic point of view was well established, e.g., in Hobbes's philosophy.

⁵⁶ Mechanistic overtones are found in economic literature at least as far back as the middle of the sixteenth century. In the *Discourse of the Common Weal* (pp. 98-100), for example, there is a long passage in which the author discusses economic activity in terms of an analogy with the mechanism of a clock.

The influences referred to above come into clear focus in Petty's writings, for his favorite thesis is that the natural laws of society are so powerful that they can never be circumvented by "positive" laws. He speaks, for instance, of the "vanity and fruitlessness of making Civil Positive Laws against the Laws of Nature."⁵⁷ His general regard for the functioning of natural law is indicated in the following passage:

We must consider in general, that as wiser Physicians tamper not excessively with their Patients, rather observing and complying with the motions of nature, then contradicting it with vehement Administrations of their own; so in Politicks and Oconomicks the same must be used.⁵⁸

His diagnosis of what had been ailing the economy of England is based upon the assumption that the regulatory, positive laws of the state are usually inimical to the welfare of the people. In England, too many matters "have been regulated by Laws, which Nature, long Custom, and general Consent, ought only to have governed."⁵⁹ He complains of efforts to "perswade Water to rise of itself above its natural Spring," and he is likewise critical of those who make "that infinite clutter about resisting . . . Nature, stopping up the windes and seas."⁶⁰ In such passages, Petty's terminology frequently reveals the imprint which natural science had made on his thinking.⁶¹ It is quite

⁵⁷ *Economic Writings*, I, 48.

⁵⁸ *Ibid.*, p. 60.

⁵⁹ *Ibid.*, p. 243.

⁶⁰ *Ibid.*, p. 60.

⁶¹ A multitude of terms might be used to illustrate the influence of natural science on economic thought. Of all those adopted by social theorists, perhaps the term "equilibrium" was destined to be most widely adopted in economic literature. The French economist, Pierre Boisguilbert, was among the first to use the concept of equilibrium as a basic analytical tool. For Boisguilbert, as for later economists, the equilibrium price signified both normality

apparent that he thought the laws of society were virtually as inexorable as the Newtonian laws of physics.

One of the specific applications of Petty's natural-law theory appears in his discussion of questions concerning money and interest. He does not accept the early mercantilist views regarding the export of bullion, for he clearly states that any law prohibiting the export of the precious metals is both harmful and futile. Money has a "natural" value, which is determined on the same basis as the value of other commodities. Just as it is wrong to interfere with the natural prices of goods sold in domestic trade, so it is wrong to interfere with the movement of bullion to those countries where its price is highest. When asked whether England's laws limiting the export of bullion were good laws, he replied:

Perhaps they are against the Laws of Nature, and, also impracticable: For we see that the Countries which abound with Money and all other Commodities, have followed no such Laws: and contrary wise, that the Countries which have forbid these Exportations under the highest penalties, are very destitute both of Money and Merchandize.⁶²

Petty's solution of the problem of what the rate of interest should be is likewise handled in terms of free-market theory. For example, he argues that any effort to prescribe the rate of interest by legislative enactment is doomed to failure, for natural market forces are too strong to be resisted. Hence the "natural" rate of in-

and beneficence. The importance which he attributed to equilibrium is indicated in the following statement: "Only equilibrium can save everyone; and nature alone, to repeat, can achieve this" (*Economistes financiers du XVIII siècle*, ed. E. Daire [Paris, 1843], p. 390).

G. N. Clark briefly describes the early influence of natural science on economic and political terminology in his *Science and Welfare in the Age of Newton* (London: Oxford University Press, 1949), pp. 118-19.

⁶² *Economic Writings*, II, 445.

terest can fall only in response to an increase in the supply of money:

As to Mony, the Interest thereof was within this fifty years, at 10 l. *per Cent* forty years ago at 8 l. and now at 6 l. no thanks to any Laws which have been made to that purpose, forasmuch as those who can give security, may now have it at less: But the natural fall of interest is the effect of the increase of Mony.⁶³

The fact that he objected to laws prohibiting usury has no special significance, for other writers had previously voiced opposition to such legislation. Even the Puritans, such as Richard Baxter, had begun to weaken in their strictures against usury. In Petty, however, the idea is clearly developed that statutory laws regulating the rate of interest do violence to the beneficent laws of nature.

To an important extent, John Locke represents the culmination of a trend in natural-law thinking which had begun during the sixteenth century. As previously noted, this new trend involved a significant change in the meaning attributed to natural law. During the medieval period the law of nature had been invoked "as a moral restraint upon self-interest," whereas, by the time of Locke, nature was largely identified with human appetites, and natural law was invoked "as a reason why self-interest should be given free play."⁶⁴ It is in connection with the rise of the new philosophy of individualism that Locke occupies a prominent position in the history of economic thought.

Locke's eclecticism is such that he virtually defies classification with respect to any particular "school" of economic thought. One writer has asserted that Locke's economic "theory" was a "retrogression from Petty to Aristotle and the schoolmen," whereas his "practice" was

⁶³ *Ibid.*, I, 304.

⁶⁴ R. H. Tawney, *Religion and the Rise of Capitalism* (London: John Murray, 1948), p. 180.

that of "an adherence to mercantilism at a time when its foundations were being undermined."⁶⁵ It was J. M. Keynes who described Locke as "standing with one foot in the mercantilist world and with one foot in the classical world."⁶⁶ But, despite the inconsistencies which most writers find in his writings, the fact remains that there is almost universal recognition of the paramount contribution which Locke made in providing the philosophic foundation for economic individualism.

The role played by nature in Locke's philosophy is very clearly revealed in his epistemology, for the impact of nature on man forms the basis of his whole theory of knowledge. If the doctrine of the rationalists concerning the existence of innate ideas was to be abandoned, nature had to play a more active, and the mind a more passive, role than had been the case in previous systems of philosophy. In Locke's system, therefore, "the mind, in respect of its simple ideas, is wholly passive."⁶⁷ In other words, "perception is the first operation of our intellectual faculties, and the inlet of all knowledge into our minds."⁶⁸ The mind of man can play an active part in the formation of complex ideas, but all knowledge must be derived ultimately from simple ideas. In

⁶⁵ Max Beer, *Early British Economics* (London: G. Allen & Unwin, 1938), p. 234. It is interesting to note that Laski (*op. cit.*, p. 117) argues that the "very illogic of Locke is his strength."

At least one writer has taken exception to the traditional view of Locke's inconsistencies. This unique interpretation is contained in Werner Stark's *The Ideal Foundations of Economic Thought* (New York: Oxford University Press, 1944), pp. 1-26. He unequivocally asserts (p. 24) that Locke "was a master of consistency."

⁶⁶ J. M. Keynes, *The General Theory of Employment, Interest, and Money* (New York: Harcourt, Brace & Co.), p. 343.

⁶⁷ John Locke, *An Essay concerning Human Understanding* (London: Ward, Lock & Co., n.d.), p. 203.

⁶⁸ *Ibid.*, p. 96.

short, for Locke the "mind of man is entirely a product of his environment."⁶⁹

Just as Locke holds that our knowledge of the physical world does not entail the use of any innate ideas, so he argues that the mind is not endowed with any innate moral knowledge. We are assured of a correct basis for our moral judgments only by means of the functioning of "natural tendencies." These are not to be confused with innate principles, for the "tendencies" are, in Locke's system, conceived to be only a *means* of acquiring moral knowledge, not innate impressions on the mind of moral knowledge itself.⁷⁰ When he writes that things "are good or evil only in reference to pleasure or pain,"⁷¹ he is anticipating much of the utilitarian theory of morals. Furthermore, since pleasure and pain are simple ideas which are derived only from experience,⁷² the mind is passive with respect to both physical and moral knowledge.

Locke uses this sensationalism as the basis for building an individualist philosophy. If our moral concepts are to be derived from sense experience, then the sensations of pleasure and pain are the guides to moral behavior. Whatever gives an individual pleasure is therefore good for him. So it is that men "may choose different things, and yet all choose right."⁷³ There is, therefore, no universal standard of good and evil to which men may refer in making moral decisions.

What prevents such moral theorizing from becoming "pure" relativism is, of course, the role played by nature in Locke's system. Efforts to find a universal standard of value are doomed to failure because nature has provided for dif-

⁶⁹ Stark, *op. cit.*, p. 2.

⁷⁰ Locke, *op. cit.*, pp. 27-28.

⁷¹ *Ibid.*, p. 160.

⁷² *Ibid.*

⁷³ *Ibid.*, p. 189.

ferences among individuals as regards their sensations of pleasure and pain. This does not result in a kind of moral anarchy only because Locke assumes that “natural tendencies” guide the individual in such a manner that he will usually choose the socially and ethically correct course of action. In his theory of morals, therefore, Locke provided what later came to be regarded as a virtually decisive justification for an economic system which would permit wide freedom of choice for the individual.

The importance which Locke attributes to the laws of nature can be seen even more clearly in his theory of property rights. His entire analysis of property rights is based on the assumption that natural law justifies private property. In chapter v of the *Second Treatise of Civil Government*, he discusses the problem of property in both a “state of nature” and in “modern” society. His conclusion is that the same fundamental law of nature justifies private property regardless of the state of social development.

For Locke, “natural reason” tells us that every man has a “property in his own person.”⁷⁴ Therefore, when a man removes something from the “state Nature hath provided and left it in,” he has “mixed” his labor with it, and “. . . thereby makes it his property.”⁷⁵ In other words, man has “in himself the great foundation of property,” and “labour, in the beginning, gave a right of property.”⁷⁶

A question immediately arises, however, concerning the amount of property a person has a right to possess. In answering this question, he first discusses

the problem in relation to primitive society, and he then provides an answer for modern society. As for the state of nature, his answer is clear and unequivocal, and it is stated in terms of a “law of Nature”: “The same law of Nature that does by this means give us property, does also bound that property too. . . . As much as any one can make use of to any advantage of life before it spoils, so much he may by his labour fix a property in. Whatever is beyond this is more than his share, and belongs to others.”⁷⁷

It is important to recall that, for Locke, most of the “things really useful to the life of man” are “generally things of short duration” which will “decay and perish of themselves.”⁷⁸ He deprecates the importance of the precious metals, diamonds, etc., for they are “things that fancy or agreement hath put the value on.”⁷⁹ In accumulating such things as trinkets and jewelry, primitive man did not violate the law of nature. He might “heap up as much of these durable things as he pleased,” because the law of nature did not limit the mere “largeness of his possession.”⁸⁰ Natural law only dictated that nothing should be wasted as a result of accumulation.

Locke does not think the introduction of money in “modern” society necessitates any alteration of the basic law of nature concerning property rights, for money (i.e., “gold and silver”) is “little useful to the life of man.”⁸¹ Modern man, therefore, can “rightfully and without injury, possess more than he himself can make use of by receiving gold and silver.”⁸² Inequality of wealth is justified on the basis of his assumption that people

⁷⁴ John Locke, *Two Treatises of Government* (London: J. M. Dent & Sons, 1947), p. 130.

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*, p. 138.

⁷⁷ *Ibid.*, p. 131.

⁷⁸ *Ibid.*, p. 139.

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

⁸¹ *Ibid.*, p. 140.

⁸² *Ibid.*

would always have free access to the economic resources required in the production of "useful" goods.⁸³ There is no recognition in his writings of a conflict between the law of nature as it applied in primitive and in modern society, for, in either case, inequality of wealth is sanctioned.

Locke's sensationalist psychology, combined with his theory of morals, provided much of the intellectual foundation for the utilitarian philosophy of Beccaria, Helvetius, and Bentham. Furthermore, his individualist ethics furnished much of the justification for a social organization which would permit a high degree of freedom for the individual. His theory of property, likewise based on natural-law doctrine, was destined to be a cornerstone in the foundation of economic liberalism.⁸⁴

It is well known that Locke's economic theory did not consistently reflect the basic assumptions of his individualist philosophy. What is important for the present inquiry, however, is that Locke used natural law as a basic analytical tool in his philosophic system. His writings were a source of inspiration for almost all eighteenth-century social theorists, and the systemization of laissez faire theory was, to an important extent, little more than a projection of Locke's individualist philosophy into the field of economic theory.

The rapid movement toward an integrated system of laissez faire which followed the publication of Locke's works is a familiar chapter in the development of economic thought. Illustrations of the

pace of this development are found in the writings of such men as North, Davenant, and Mandeville. Indeed, there is much justification for F. B. Kaye's assertion that Mandeville's *Fable of the Bees* is the first systematic presentation of the laissez faire philosophy.⁸⁵ Be this as it may, the economic liberals of eighteenth-century England were obsessed with the idea that the social benefits of permitting each individual to pursue freely his own interests would flow spontaneously from a system of "natural" liberty. I have tried to indicate that the origin of this view dates at least as far back as the middle of the sixteenth century. What had begun as opportunistic and sporadic protests against commercial controls thus emerged, almost two centuries later, in the form of a systematized philosophy of economic individualism which proclaimed the beneficence of the laws of nature.

⁸⁵ For a discussion of this point see F. B. Kaye's edition of Bernard Mandeville, *The Fable of the Bees* (Oxford: Oxford University Press, 1924), I, xcvi-ciii. In the *Fable*, Mandeville applies the principle of self-interest to virtually all spheres of economic activity. The unifying thread is, of course, natural law, for the beneficent social effects of the pursuit of self-interest flow "naturally" and spontaneously from the operation of a laissez faire system.

For another interesting comment on the decisive influence of Mandeville in the development of economic individualism see F. A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), p. 9. Hayek's position is that Mandeville was the first to formulate clearly the central idea of "true" individualism. The type of individualism which culminated in the work of Adam Smith is contrasted with that which derived from Cartesian rationalism and was most clearly reflected in the writings of the Encyclopedists and the Physiocrats. The latter type, according to Hayek, leads toward collectivism. At least two modern studies of physiocracy lend support to this interpretation: Norman Ware, "The Physiocrats: A Study in Economic Rationalization," *American Economic Review*, XXI (1931), 607-19, and Max Beer, *An Inquiry into Physiocracy* (London: George Allen & Unwin, 1939).

⁸³ *Ibid.*, pp. 138-39.

⁸⁴ The pervasive character of natural-law theory in Locke's system is, of course, brought into even sharper focus in his political theory, e.g., his belief in "natural liberty," "natural rights," etc.