

I. THE AGE OF MERCANTILISM: THE TEACH AND THE PURSER

“When the legends die, the dreams end; there is no more greatness.” Shawnee

The Renaissance, the Reformation, and the Age of Humanism in unison with the Age of Enlightenment had sank the Dark Age. All of these new movements, ethical and cultural attitudes, schools of philosophic and religious thought had broken open the nutshell of narrow, principality-bound feudalism. The world was ruled by particularist lords like the Prince of Monaco or the King of Tonga today, strong in the defense of their characteristic feudality but wary of all things *too* universal. If you wish, the end of the Dark Age marked a first wave of globalisation carried not by the new media and the internet, but by somethings then no less powerful, penetrating, and – give or take a few months, years, or decades – no less far-reaching: Gutenberg’s printing press, Columbus’ innovative sailing-vessel called caravel, and the courier on horse-back or the coach drawn by a team of horses. The speed and precision of the printing press allowed the manifold copying of texts like Luther’s indictment of the Catholic corruption which hitherto could only be accomplished by hand one by one, the lightness of the caravel could carry men, precious cargo, or news faster and more nimble to the farthest corners of the earth, and the increased general use of the message via horse-power was slow by modern and post-modern standards – it is true, but in conjunction with the other two factors it still managed to spread the dawning of a New Age like wildfire.

Precisely at that juncture and as an early isolationist over-reaction to it the mercantile or protective system appeared. The falling feudal lords were loath to relinquish their ever waning absolute powers. It is not an accident that among its main and prime exponents were a pioneering English enlightenment philosopher and the headtreasurer of the royal purse of France. It both reflected and determined the social and commercial usages prevalent in the era. It was trying to make sense of the internecine warfare between the principal empires or rather its exponents embarking from the dying Dark Ages as well as rationalizing and protecting the belligerent strategies upholding it. We are at a dog-eats-dog and the devil-gets-the-hindmost level not just among individuals but among those larger entities called kingdoms or empires - later called nation states. If the prime “evil genius” of the renaissance was Machiavelli taking the emerging individual at its lowest and most base, the “evil genius” of the Mercantile System and its concomitant Age of Enlightenment was Thomas Hobbes who expressed man and

his trades at its most basic and mechanistic. Homo homini lupus, meaning man in his true nature is a wolf among wolves, and that's all there is to him or her! Later day Freudians and Social-Darwinists would have a field day agreeing. There is no such thing as a free lunch! Shoot first ask later! If you want it, you gotta kill for it! are later day popularizations of the same obtuse unphilosophical pessimism.

The man who came to the rescue against this kind of obscuritanism was John Locke. He was not an economist at all, God beware! Even Henry George would not have had a chance to reject a Chair of Economics offered to him to prove his intellectual integrity as there simply were no such chairs available. The discipline had not been invented yet. As we have seen in the Feudal Dark Age, the rampant robbers and murderers at the head of the 'nascent societies had no need for justification: Might makes right, be strong, just kill and take what your passions desire. They were the "overmen" and the underlings were little more than slaves and cannon fodder. If Hobbes championed the absolute ruler and his absolute egotism, everything and everyone else being utility and subject to that, Locke stressed reason and cooperation as well as the separation of legislative and executive powers.

In the prevailing view of the day, man was endowed originally with natural rights derived from natural law, which initially was thought to be divine as well. According to Locke, among the principal natural rights were Life, Liberty, and Property; principles which, by way of Thomas Paine and Thomas Jefferson, became embedded in the American Declaration of Independence as the guiding principles of the American Revolution. When the distinction was made between the natural laws describing the planets in their orbits and the natural laws governing man, the further distinction became inevitable between what is and what ought to be. Conservative thinkers would adhere to the first and deny the second, progressive thinkers would champion the second without denying the first. Derived from Locke's *Treatises of Government* was the concept of the "consent of the members of the state who ruled", as an as yet undefined majority and the principle right of dissent and rebellion. These democratic principles, as well as the concept of natural law in all its implications, were well recognized by Henry George and they contribute to the fact that Locke's thoughts on Economics and Finance as well as his thoughts on Political Organization still have validity today.

There is another unexpected parallel between Locke and George. Bertrand Russell, in his *History of Western Philosophy* - itself a late flowering if not the epitome of late progressive Rationalism and rightly considered the best one-

volume treatment of the subject -, devotes, with four chapters, more time to John Locke than to any other modern philosopher. He identifies the reactionary 17th Century work *Patriarcha: or of the Natural Power of Kings* by one, today rightly forgotten, Sir Robert Filmer as the great counter-intuitive instigation for Locke's political treatises. As a kind of lesser philosophical twin brother to Hobbes, Filmer's book did for the politics of the king what Mercantilists had tried to do for his economics, namely unquestioningly upholding the monarchs absolute "divine rights" pretty much against any one else in the universe including you and me. Russell writes: "Filmer derives political power, not from any contract, nor yet from any consideration of the public good, but entirely from the authority of a father over his children. His view is: that the source of regal authority is subjection of children to parents; that the patriarchs in Genesis were monarchs; that kings are the heirs of Adam, ... that the natural rights of a king are the same as those of a father: and that, by nature, sons are never free of paternal power, even when the son is adult and the parent is in his dotage. The whole theory seems to a modern mind so fantastic that it is hard to believe it was seriously maintained."¹

On the other hand, Russell continues: "It is curious that the rejection of the hereditary principle in politics [today] has had almost no effect in the economic sphere in democratic countries ... To understand how Filmer's theory could be believed, and how Locke's contrary theory could seem revolutionary, we have only to reflect that a kingdom was regarded than as a landed estate is regarded now. The owner of land has various important legal rights, the chief of which is the power of choosing who shall be on the land. Ownership can be transmitted by inheritance, and we feel that the man who has inherited an estate has a just claim to all the privileges that the law allows him in consequence. Yet, at bottom, his position is the same as that of the monarchs whose claims Sir Robert Filmer defends. There are at the present day in California a number of huge estates the title to which is derived from actual or alleged grants by the king of Spain. He was only in a position to make such grants (a) because Spain accepted views similar to Filmer's, and (b) because the Spaniards were able to defeat the Indians in battle. Nevertheless we hold the heirs of those to whom we made grants to have a just title. Perhaps in future this will seem as fantastic as Filmer seems now."² For students of Georgist or geoclassical economics the "fantastic nature" and irrationality, indeed the inherent injustice of land titles even today is a familiar and recurrent theme.

¹ . Russell, *The History of Western Philosophy*, 1945/1972, NYC, p. 619

² . Russell, *op. cit.*, p. 622-623

If Columbus exploded the myths and superstitions on which the feudal system was founded, factually it was Locke with his elaboration of the idea of the separation of powers that made the upholding of unmitigated Feudalism by and by impossible. One of the great battlecries of the Age of Enlightenment against hooge-yoogey superstitions, prejudices and biases was Locke's "nihil est in intellectu quod non prius fuerit in sensu" or more simply put: nothing reaches the mind except through the senses.

This principle makes Locke a sensualist and an empiricist, that is you collect data inductively as provided through the senses and the instruments of the scientist, and there from, you develop your theories. Neither modern science nor modern-day economics would be even thinkable without these "enlightened" or Lockean principles. Coincidentally, he hit upon an embryonic labor theory of value without which classical economics would be impossible. Locke, on the other hand, fell into the Mercantilist trap of overemphasizing monetary or gold returns instead of stressing the flow of commodities.

If Locke, however, provided the frame-work for the budding science of Economics and developed some of the strategies of Mercantilism it was up to Colbert to provide the weapons and tactics to sound the bugle call at the burial site of Medieval Feudalism. Was Locke a man of ideas with an overarching vision for the philosophy of the Dawning Age of Enlightenment within which his theories of government and his theories of economics and finance were comfortably embedded, so was Jean-Baptiste Colbert a man of affairs steeped with both legs into the mires of practicality and the so-called "real life". He had to provide for and organize the extravaganzas of the celebrated squanderer, King Louis XIV of France, no less, as he was his Minister of Finance. Had the king been less wasteful and Colbert been less successful in coming up with evermore means to provide for the waste, the French Revolution might have been delayed by a generation or more. In a strangely left-handed way, which sometimes precipitates a historical development, we may even be grateful to both. There was no time for great visions, abstract philosophizing, nor for the bigger picture in the life and governmental duties of that poor purser of a man.

The Sun-King, as he was called in France, needed to expand, outdo the main superpowers of the day, that is Spain and England, in their race for natural resources and treasures overseas and he needed to do it fast, otherwise, remember: we are still in the world of: every man for himself, and the devil will get the hindmost and that goes for countries as well as for kings or commoners. He needed soldiers, and lots of them and he needed to provide for his mistresses, many of them. So he needed most of all the sinews of war to enlarge and uphold

his kingdom, and as these were perceived most of all: gold and silver bullions as they provided the greatest facility for appeasing the dissatisfactions of his soldiers and the never-ending shopping lists of his mistresses. Colbert, now, was neither a saint nor a fool and he wanted to keep his job, so he provided for his king, what he wanted as fast as possible and lots of it. The theory of Mercantilism was later weaved around that willy-nilly providing of such “royal” soon to be obsolete needs. Adam Smith in his *Wealth of Nations* lampoons the inconsistencies of the “Mercantilists”. The men who were on the forefront and in the thick of it had not the foggiest inkling that posterity would one day label them thus.

Let’s look at what principles they followed, since they didn’t follow any consistent philosophy:

- ξ wealth equals precious metal, preferably gold, if need be silver
- ξ wealth derives from trade alone
- ξ export over import or sell more than you can buy
- ξ Monopolize overseas trade
- ξ Secure raw materials overseas and at home
- ξ Run the business of your nation first at the expense of other nations
- ξ Protect your gold coffers with as heavy a tariff as you deem fit
- ξ Keep wages low and the populace miserable

Mercantilism championed the topdog in form of the king and those merchants who were the most successful to strengthen his sinews of war. Gaffney calls Mercantilism the “narrow business side of nationalism”. This is true even at a time when nations in our modern sense of the word were barely about to be born. Henry George equates Mercantilism directly with Protectionism. He was not shy in exploding its many myths and absurdities. It is amazing how much of that antiquated system has survived to this very day. Just run through its principles and compare them to the 3rd millennium policies of any given last remaining superpower. Once the genuine nature of George’s Liberation Economics is truly and fully understood it will become apparent that its leading principles will reverse early fatalistic predictions and “wisdoms” with a text barely less august than the Sermon on the Mount.

Its principle?

Everyone for each other and the devil take the frontmost.