12.7 Mercantilism: Financing Absolutism

Jean Baptiste Colbert (1619–83), a merchant’s son who had served as a financial secretary under Cardinal Mazarin, became Controller General of Finances shortly after Louis XIV took personal charge of the government in 1661. He inaugurated extensive fiscal reforms, but was unable to create a new tax base which could provide a stable income for the crown and a solid foundation for the French budgetary apparatus. Forced to adopt emergency policies to cope with Louis XIV’s extravagance at court and in warfare, the economy remained buried in mercantilist regulations and red tape that contributed to the French Revolution of 1789.


DISSERTATION ON ALLIANCES, 1669

Every nation engages in two types of trading activity: domestic trade, which is carried on within the boundaries of the nation’s home territories, and foreign trade, which, with the aid of shipping, is carried on outside the boundaries of the home territories. With respect to domestic trade, almost all nations foster it in the form of goods circulating within the country by means of internal transportation systems. With respect to foreign trade, which is a matter of capital importance, we must understand its structure if we are to have all the information we need for settling the question of alliances.

There are five principal categories of ocean-borne trading:

(1) The movement of goods and wares from one port to another, or from one province to another, for consumption within the kingdom.
(2) The importation from neighboring countries of goods and wares to be sold on the domestic market either as basic living commodities or as luxury items.
(3) The exportation of European wares necessary to the development of the Orient and the importation from the Orient of goods necessary throughout Europe for domestic consumption or for manufacturing processes. Our trade with the Orient is the source of most of our commercial prosperity. It is conducted along two principal sea routes: the first proceeds through the Mediterranean to the Levantine ports of the Turkish Empire; the second extends across the ocean, by way of the Cape of Good Hope, to India.
(4) Trade with the West Indies, of which there are two main streams. The first supplies the Spanish with the products which they need throughout the breadth of their vast empire, stretching from the straits of Magellan to the tip of California Island in the South Sea. These are delivered either to the port of Cadiz, where they are loaded into vessels and delivered to the Spanish colonies where no foreigner is allowed entry, or they are delivered directly to the West Indies, which is a difficult task. In exchange for the merchandise, the same vessels bring back silver from the West Indies and deliver it to the harbor at Cadiz where it is distributed among all the nations which have invested in the enterprise. The other stream is that which delivers similar products and wares to those islands which are held by other European nations and which bring back the sugar, tobacco and indigo that grow there.
(5) Exportation to Northern Europe of all the manufactured wares and agricultural products which are processed in Middle and Southern Europe after having been imported from either the East or the West Indies, and importation from the North of all the market products which grow there: in particular, wood, hemp, ship masts, copper, iron and other shipping materials. It is an established fact that through this exchange, Northern Europe makes all the other exchanges possible, which makes it the most important of all the trade regions.

These different types of trade have always existed in Europe, but when they have been carried out by a single nation, demand has fallen and prices have risen. Thus, trade relations have always drawn more money away from the other parties and have always prospered those who initiate them. Trade with the Near East, which used to include trade with the Far East until the Portuguese sailed around the Cape of Good Hope, was long in the hands of the Venetians. The French and the English enjoyed but a minimal portion of that trade. Subsequently, through exploration and military victories on the coast of Africa, through their business ventures and military successes throughout Asia, not excluding China, the Portuguese have won the biggest part of this trade away from the Venetians and have increased the supply of imported goods. Consequently, consumption is greater and prices have been reduced. Following the example of the Portuguese, the Spaniards have discovered the West Indies which have such an abundance of wealth that there is room for all investors to profit from it.
During the period when these nations dominated foreign trade in the South, the French and the English had a small share of the trade in the North. But for the French this share supplied only an insignificant fraction of their material needs. As for the English, this share provided them with virtually all their needs and in addition met part of the needs of the other northern nations, for the English have always had good trade relations with the North. At first, Bruges was the principal exchange mart for this trading activity. Then the inhabitants of Antwerp took advantage of their port, facilities and attracted trade there. After the wars between the Spanish and the Dutch, the self-discipline, the moderation and the zeal of the Dutch attracted world trade to Amsterdam and to the other cities of Holland. But they were not satisfied with being the central exchange mart for all Europe and especially for the North. They decided to gain control of foreign trade at its very source. To this end they ruined the Portuguese in the East Indies. They inhibited or disturbed in every possible way the business ventures which the English had established there. They employed and are still employing every means, are exerting every effort, are applying their full resources to assume full control of world trade and to keep it out of the hands of all other nations. Their whole government is based upon this single principle. They know that as long as they maintain their commercial superiority, their power on both land and sea will keep on increasing and will make them so powerful that they will become the arbiters of peace and war in Europe. They can set whatever limits they please upon the law and the design of kings.

As to whether they have the will power and the physical power to become the masters of all trade, there is no doubt at all in the first respect. With regard to their physical power, if we consider their powers in the Near East, in the East Indies, in the neighboring kingdoms and in the North, we can only conclude that they currently occupy first position and need only to maintain that status. In proof of my point, we have been keeping a check on their sea vessels for 4 or 5 years, and we estimate that they possess the incredible number of 15,000 to 16,000.

On the basis of this information, and after a very careful analysis, we can assert definitively that European trade is supported by some 20,000 vessels of all sizes. It is easy to see that this number cannot be increased, inasmuch as the population remains constant in all the nations and that consumer activity remains constant. Of this total of 20,000 ships, the Dutch have 15,000 to 16,000, the English 3,000 to 4,000 and the French 500 to 600.

This, then, has been and remains at present the state of European trade. But before proceeding further, we must note that the naval power of a nation plays an important role in the development of its trading program. In a sense, naval power follows on the heels of trading power because of the vast numbers of sailors and seamen involved, the experience which the captains and other officers accumulate, and the enormous number of ships to which it gives rise. But there is this difference. However superior the Dutch may be to the English in the total number of ships and seamen, they can never excel the English in naval power. The English may have lesser numbers, but they are superior in their experience and their knowledge of sea war and they infinitely excel the Dutch in genuine courage.

As for the French, their naval power and its use are still in the nascent stage. Certainly, therefore, it would be folly for France to try to attain in a few years a power to which the two other nations attained in the one case a century ago and in the other case several centuries ago. One need only consider the limited number of vessels in her merchant fleet to perceive clearly that she can give support to her naval strength only in proportion to that number. This issues from the general axiom that merchant shipping contributes to the strength and substance of all sea power and that no nation can have sea power without having shipping.

With all these factors clearly in mind, we must now return to our original consideration: in the alliance under examination, England is seeking principally to strengthen its trade. This strengthening process can be effected only if England uses more of the vessels belonging to her private citizens and if she increases their number. Such an increase can occur only if England discovers some hitherto unknown trading arenas or by reducing the number of vessels of one of the other nations.

The discovery of a new trading arena is highly unlikely. There is no point even in considering such a tenuous possibility. To be quite frank, such a circumstance could not possibly develop. Even if it should develop, it would not produce a new consumers' market for the products necessary to life and creature comforts. Rather it would offer to one nation and deny to another the means of drawing on those already in use and belonging to a pattern of international consumption that is common to all Europe.

It must be, then, through the reduction in number of the ships of one of the other nations. But that other nation cannot be the French, because there is nothing to be gained from them. In all their ports, both on the Atlantic and on the Mediterranean, they have only 500 or 600 ships which carry a small portion of their wares and goods from port to port, without any trade in the North or elsewhere. We are obliged to conclude, therefore, that England cannot use any more of her subjects' vessels nor can she increase the number without reducing the number of Dutch vessels. Consequently, it is difficult to establish a close alliance when its principal aim would be to increase one's power at the expense of the ally.
The political philosophies of great rulers have always taught that it is not to a weak ruler’s advantage to ally himself willingly with a ruler more powerful than he, lest that superior power overwhelm and destroy him. That has happened on numerous occasions. The same political philosophies insist that the weak ruler always work to maintain a balance of power by allying himself to the nearest force in order to hold in check the growth of a third nation.

Applying the same philosophy to the present instance, we see that the Dutch have the most powerful trading system which exists or which has ever existed in the world. The English have a less flourishing system and the French the least flourishing of all. Therefore, reason declares that neither of these two nations may ally itself to the Dutch, for fear that, in the attempt to strengthen their trading power, they would be overwhelmed and completely destroyed. The same reasoning insists that the two nations pool their interests and apply their full might to undertaking a secret war against Dutch trade. They would profit from all the advantages that their location and their power give them to cut the Dutch off from what rightfully belongs to them. We shall outline hereafter several means for accomplishing this.

We should add that trade problems give rise to a continuing battle both in peace and in war among the nations of Europe to see who will win the upper hand. The Dutch, the English and the French are the contestants in this match. Through their zeal the Dutch have amassed sufficient power to fight with 16,000 ships. The English bring 3,000 to 4,000 vessels to the fray, the French bring 500 to 600. It is easy to see who will be victorious. And if the 3,000 to 4,000 align themselves with the 16,000, it is child’s play to predict that the 16,000 can lose nothing and that the 3,000 to 4,000 run the risk of keeping on losing and even of being totally destroyed. We should add to these arguments the fact that, in spite of the superior numbers of ships which the Dutch possess in their trade war with the English, the Dutch are a thriftier, more economical people than the English. The former are more industrious, more profit-conscious than the latter. Their government draws its primary financial strength from its trade relations. Since both of these governments shape all their policies in terms of this commercial structure, the English cannot fail to come out second best in such an alliance. These reasons are, of course, quite persuasive in themselves, but there are yet others which must be considered.

It is generally agreed that the English have always demonstrated an instinctive aversion for the French. It is further agreed that this aversion was intensified by the recent war with all its attendant misfortunes. Despite this aversion, however, these kingdoms and their monarchs have remained at complete peace with each other for more than 100 years. This peace was interrupted by the war of La Rochelle which lasted but a few months and once again, subsequently, by the Dutch war. In view of this lengthy period of harmony one may conclude that the two nations can without difficulty live in a mutually comfortable relationship.

It is possible that the citizens of London show a greater hostility to the French now than in the past. But we can assume with a considerable certainty of being right that this hostility is fanned by Spanish and Dutch sympathizers who are in turn abetted by those who favored the recent disorders because they did not want to see the legitimate English government strengthened by such a powerful alliance as one with France. But we may rest assured that this distemper will cool. England has the means to prevent its persisting. What is more, when the alliance is made, the citizens will begin to enjoy its fruits. Thus, the close understanding which has always joined the two nations will be reaffirmed. This is particularly true because in joining forces, the two nations will enjoy real and substantial benefits in the exercise of their trading activities.

We must readily allow that psychologically and temperamentally the English are more akin to the Dutch than to the French. But it is plain to see that if they relish peace and tranquility and if they would not betray their political interests, they can draw no real advantages from an alliance with a people who are ruled by a government of merchants, whose political principles and power function only as an adjunct to their trade relations. Their prosperity will all too easily make the English see what differences separate a republic and a monarchy with respect to their commercial interests, which are the only interests to hold the attention of said republicans. But the alliance and union with the French produces an entirely different effect.

As for any jealousy which the English might feel over French naval power, it could not be a logical jealousy. Control of the earth’s land masses lies in the hands of the rulers of those states which are abundantly populated by a naturally courageous and warrior-like people. Control of the seas, however, does not depend on population counts. Control of the sea goes to those who have enjoyed a long and intimate association with the sea. It goes to that nation whose maritime trade relations are elaborate enough to provide a sufficiently large reservoir of sailors from whose numbers a sea force may be formed. It is an established fact that the size of a nation’s navy is proportional to that of its merchant marine. But if we are absolutely bound to attribute any jealousy to the English, it would be more logical to suspect that they feel it with respect to the Dutch. Only the Dutch presume to equal England’s power in the recent war. Indeed, in view of their continually expanding trade relations, their sea power cannot fail to increase proportionally. As for the mutual aid which nations can bring to each other in their trade relations, the English will destroy themselves if they ally with the Dutch. Everything we have said points to it. An infinite number of examples prove it.
Now that we have given careful consideration to our main point—the advantages to be reaped by the peoples of the two nations—let us consider the interests and the reputations of the rulers of the two nations.

In this connection, there are endless reasons why an alliance with France should be preferable to an alliance with Holland: the blood kinship of the two monarchs; the similarity of their intellects and their personalities; the geographical location of their domains; the similarity of their type of government; the striking dissimilarities of the English monarchy and the Dutch republic; the domestic tranquility which they can bring to their respective nations by a union of interests; their willingness to consider candidly all the advantages and glories which will accrue to them.

To realize this great dream: [1] the monarchs need only join in a close alliance which no subject or no occasion can trouble or interrupt; [2] they need only establish a policy of equal and reciprocal relations between the two nations throughout the breadth of their kingdoms; [3] to this end they need only establish two advisory councils in the two capital cities which will act in common accord, cooperating in every way possible to enhance the quality and extend the scope of the trade relations of the two nations.... It would profit the two kingdoms enormously.

Questions:
1. What European nation most impressed Colbert and why?
2. By what steps did he propose that France win commercial supremacy?
3. How does this treatise illustrate Colbert's mercantilist policies?