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The Emergence of Mercantilism as a Reaction against Muslim Power: Some of the Evidences from History

Abdul Azim Islahi

Abstract: In the early modern period, changing attitude of Medieval Europe towards trade as an outcome of encounter with Muslim scholars and rulers and consequently emergence of 'mercantilism' was a turning point in the history of economic thought. The paper documents evidences which prove that initially mercantilism was a reaction against Muslim powers. In the rise of mercantilism, discovery of the New World is considered a significant factor. The main objective before explorers and pioneers of mercantilism was to strengthen their governments through the acquisition of precious metal to regain the Holy Places, defeat the enemy, check the expanding power of Muslim rivals and spread Christianity. However, later it ended up in an effective economic movement.

I. Introduction

There is no difference of opinion regarding the fact that mercantilism was the dominating current of economic thought during two and half centuries before the emergence of physiocracy in mid eighteenth century and subsequently classical economics. But there is no agreement of opinions about the date of its beginning. To some writers it started in early sixteenth century, some others date it still earlier (Whittaker, 1960, p. 31). In the words of Glamann, (1977, p. 427), 'There is scarcely any period in the history of Europe when trade plays so central a role as in the years from 1500 to 1750. Some historians call this the early capitalist age or the age of merchant capitalism, while others term it the mercantile or mercantilist era'. Importance of mercantilism in the history of economic thought needs no explanation for the students of the subject. It regarded bullion as money and trade as the source to obtain it. It emphasized international trade and aimed at strengthening the national state. Attainment of 'economic power' assumed form of a movement that spread in many countries at the same time. It proved the starting point of modern capitalism and provided base for industrial revolution. It enriched the economic thought with a number of new concepts such as, 'nation-states', 'protectionism', 'balance of trade', 'fear of good', 'quantity theory of money', 'free trade', 'internationalization of the economy', 'self-reliance', etc. It has been subject of criticism starting from Physiocrats, and Adam Smith up to our own age. But still many ideas of mercantilism, openly or under disguise of certain institutions, are adopted.

Historians of economic thought have explored the factors that helped development of mercantilism. For example, Eric Roll (1974, pp. 54-55) mentions the following as some of the factors operating behind development of mercantilism:

'The growth of nation states, anxious to destroy both the particularism of feudal society and universalism of the spiritual power of Church which resulted in a greater concern for wealth and quickening of economic activities, the revolution in the methods of farming, maritime discoveries'.

Similarly Oser and Blanchfield (1975, p. 8) attribute the development of mercantilism to:

'...the self-sufficiency of the feudal community, growth of cities, flourishing of trade,

discovery of gold with Western Hemisphere, great geographical discoveries, rise of national states, etc’.

In the rise of mercantilism, discovery of new world is considered a significant factor that was done in search of gold or means for gold. “In Columbus’ mind gold was important as a means of furthering his sovereign's crusade to capture Jerusalem”¹. (Hamdani, 1994, p. 281). Discovery of new lands had no meaning for Columbus except as a stepping stone toward, the Christians of East and Emperor of Cathay (ibid., p. 285). "Gold", said Columbus "is a wonderful thing! Whoever possesses it is master of everything he desires. With gold, one can even get souls into paradise" (Roll, 1974, p. 65, In a letter from Jamaica of 1503, quoted by Marx in *Zur Kratic der politischem Oconomie*, 1930, p. 162). This is quite different from what some of the historians of economic thought want to make us believe. For example to Eric Roll (1974, p. 63), ‘The mercantilists demanded a state strong enough to protect the trading interest and to break down the many medieval barriers to commercial expansion’. This might have been one of considerations, but initially it was not the main objective.

The changing attitudes of Medieval Europe towards trade as a result of encounter with Muslim scholars and rulers and as a result emergence of Mercantilism was a turning point in the history of economic thought. However, one must remember an important difference. While Muslims believed in trade as a source of mutual benefit, early Mercantilist intellectuals believed like Aristotle that trade was a war because they held that one nation’s gain would be at the cost of others. One man’s gain is another man’s loss. The French essayist Michel de Montaigne wrote in 1580: “The profit of one man is the damage of another.... . No man profiteth but by the loss of others" (Oser and Blanchfield, 1975, p. 9). Even one hundred years after him, Jean Baptiste Colbert (d. 1683) reiterates that ‘one nation can become rich only at the expense of another.....Commerce is therefore a continual and a bitter war among nations for economic advantage’ (ibid., p.21) Mercantilists realized the mutual benefit from the trade only after discovery of the theory of comparative cost advantage (have they realized it.

Development of mercantilist doctrine was so different from all the past stages of the evolution of economic thought, and so harmonious and closely related to ideas that came after it, that many historians of economic thought start the modern history of the subject with mercantilism. It differs from the past tradition in the sense that earlier economic thoughts were expressed by religious scholars, moral philosophers, social thinkers, academics, etc. But mercantilist ideas came mostly from those who were basically merchants or men of affairs (Lekachman, 1959, p. 49). However, generally mercantilist writers did not contribute to a single economic ideology. Mercantilism as a whole cannot be considered a unified theory of economics. There were no mercantilist writers presenting an overarching scheme for the ideal economy, as Adam Smith would later do for classical economics. Rather, each mercantilist writer tended to focus on a single area of the economy (ibid. p. 34; Landreth and. Colander, 2002. p. 44).

II. Core of mercantilism

Mercantilism refers to economic system of the major trading nations during the 16th, 17th, and 18th centuries, based on the premise that national wealth and power were best served by increasing exports and collecting bullion (precious metal) in return. In part, this focus on reserves of gold and silver was because of their importance during times of war. Armies, which often included mercenaries, were paid in bullion, and navies were funded by gold and silver. The complicated system of international alliances of the period also often required large payments from one state to

another. Besides bullion, raw materials for domestic manufacturers were also sought, and duties were levied on the importation of such goods in order to provide revenue for the government. The state exercised much control over economic life, chiefly through corporations and trading companies. Production was carefully regulated with the object of securing goods of high quality and low cost, thus enabling the nation to hold its place in foreign markets. Treaties were made to obtain exclusive trading privileges. 'To promote their business interest, mercantilists believed in free trade within a country; that is, they were opposed to internal taxes, tolls, and other restrictions on the movement of goods. However, they did not favor free internal trade in the sense of allowing anybody to engage in whatever trade he wished. On the contrary, mercantilists preferred monopoly grants and exclusive trading privileges whenever they could acquire them' (Oser and Blanchfield, 1975, p. 10). Apart from war with other countries, strong national governments were also necessary to achieve other goals such as, nationalism, protectionism, colonialism, and internal trade unhampered by tolls and excessive taxes (ibid. p. 11).

Under mercantilism it was believed that the economic health of a nation could be measured by the amount of precious metal, gold, or silver, which it possessed. Precious metals were considered as the source of prosperity, prestige, and strength. Bullionism required a favorable balance of trade. That is, for a nation to have gold on hand at the end of the year, it must export more than it imports. 'Mercantilist doctrine taught that export was the only desirable economic transaction and goods were exported to enemy countries even in war time' (Heckscher, 2: 42). Each nation tried to achieve economic self-sufficiency. Thriving agriculture should be carefully encouraged. Domestic production not only precluded imports of food, but farmers also provided a base for taxation. Regulated commerce could produce a favorable balance of trade. In general, tariffs should be high on imported manufactured goods and low on imported raw material. Sea power was necessary to control foreign markets. A powerful merchant fleet would obviate the necessity of using the ships of another nation and becoming dependent on foreign assistance. 'The merchant capitalists believed in dominating and exploiting colonies and in monopolizing colonial trade for their own benefit. They wanted to keep the colonies eternally dependent on and subservient to the mother country'² (Oser and Blanchfield, 1975, p. 10). The interests of the colonists were sacrificed to those of the mother country; and the natives were exploited without mercy. Colonies were to provide captive markets for manufactured goods, cheap labor and sources of raw material. Luxury items were to be avoided because they took money out of the economy unnecessarily. Mercantilism suggested that the government should advance these goals by playing an active, protectionist role in the economy, by encouraging exports and discouraging imports.

The period of early mercantilism, which developed from around 1500, was most marked by its 'bullionism'. This period saw a vast inflow of gold and silver from the Spanish colonies in the New World, and an overriding concern was "how the other states of Europe could be able to compete". The bullionists, such as Jean Bodin, Thomas Gresham and John Hales, felt that the wealth and power of a state was measured by the amount of bullion it possessed; and that to grow in power, meant increasing the amount of bullion at the expense of the other powers. The prosperity of a state was measured by the accumulated wealth of its government, with no concept of national income. One element mercantilists agreed upon was the economic oppression of the working population. Laborers and farmers were to live at the "margins of subsistence". The goal was to maximize production, with no concern for consumption. Extra money, free time, or education for the "lower classes" was seen to inevitably lead to 'vice' and 'laziness', and would result in 'harm' to the economy (Landreth and Colander, 2002 . p. 43).

Merchants benefited greatly from the enforced monopolies, bans on foreign competition, and

poverty of the workers. Governments benefited from the high tariffs and payments from the merchants. Whereas later economic ideas were often developed by academics and philosophers, almost all mercantilist writers were merchants or government officials (Ekelund and Hébert, 1997, p. 46).

III. Mercantilism: A Reaction Against Muslim Powers

When we study the history of Mercantilism, questions come to mind about what lay behind the rise of mercantilists, what prompted the change in their thinking and why did they feel the need to strengthen the national state? These questions, of course, need a thorough study of the background and circumstances in which 'mercantilism' developed. This writer has a considered opinion that behind the rise of mercantilism lies the motivation that the scholastic writers, and through them the mercantilist writers, received from the work of Muslim scholars³. For Muslims, trading has been a praiseworthy commercial activity since the very beginning of Islam. European activists, defeated in Crusades, thought that the trade was the major source of Muslim strength. Thus, their attention was drawn to monopolize it. They might have arrived at the conclusion that for defeating Muslims, they must pay attention to unity and strengthen the national government. Heckscher has rightly assigned to the second part of his work the title "Mercantilism as a system of power". According to Heckscher (1955), this power goal appeared under two guises: power *per se*, especially in a military sense, as well as the power to be achieved via national economic prosperity. Examples of fund raising for this purpose are also not uncommon. 'Portugal's King Diniz sent an ambassador to Pope John XXII to solicit funds for the construction of fleet to be used against Muslims' (Hamdani, 1994, p. 286) .

Disappointed from the conquest at the battle field, mercantilists tried to block the Muslim power on economic front: "If one takes this trade of Malacca out of their [*Mamluks*'] hands, Cairo and Mecca will be entirely ruined, and to Venice no spices will be conveyed, except what her merchants go to buy in Portugal". This was declared by Portuguese governor Alfonso de Albuquerque after conquering Goa and Malacca in 1511. (ibid., p. 288)⁴. -

There is much evidence that one can refer to, which supports the fact that the main objective before explorers and pioneers of mercantilism was to strengthen their governments to regain their holy places, defeat their enemy, check the expanding power of Muslim rivals and spread Christianity. According to George Kirk, Prince Henry the Navigator (1394-1460) on whose inspiration Portuguese seamen began to explore the Atlantic coast of Africa southwards:

'was evidently to carry on the Crusades by an attempt to outflank the Darul-Islam both strategically and commercially; to divert the trade in the gold and other products of West Africa from Muslim hands; to make contact south of Sahara with the Negus of Ethiopia ('Prester John') and jointly assail the Muslims from the south; and he may also have planned in his later life to win control for Portugal of the Indian trade which was now the main source of wealth of the Muslim world' (Kirk, 1964, pp. 63-64).

Herbert Heaton, the famous economic historian writes: "Columbus talked of making converts, securing the gold, pearls and spices of the Orient and using part of this fortune to equip an army that would free Jerusalem from the Turk" (Heaton, 1968, p. 238). 'Columbus' peer Vasco de Gama who sailed towards East and reached Indian coast, declared that he had come 'in search of Christians and spices' (ibid.). Heaton further writes: "the issue was not destined to be settled by economic factors

alone, ... Portugal went east as crusader and trader, determined to get a monopoly of the westward flow of goods and also to wage the holy war on new battle fields" (ibid, p. 241). That the economic gain was not their main objective and that they aimed at defeating Muslims and destroying their lands and shrines, is clear from the fact that Albuquerque, initially commander of the Portuguese fleet and after 1509 governor general of the Portuguese Indies, 'laid plans to capture Aden, establish a base inside the Red Sea, burn the Egyptian navy in harbor and destroy the Moslem holy city of Mecca. He even suggested that engineers be brought from Europe to divert the upper Niles from its course, thus turning Egypt into a desert' (ibid, p. 241). We have noted above that Vasco de Gama explained that he came to India in search of Christians and spices. According to Lewis (1976, p. 203; 1982, pp. 33-34):

'it was a fair summary of the motives that sent the Portuguese to Asia – as indeed also, suitably adjusted, of the *jihad* to which, in a sense, their voyages were a long-delayed reply. The sentiment of religious mission was very strong among the Portuguese who went to the East. The voyages of discovery were seen as a religious struggle – a continuation of the Reconquest and the Crusades, and against the same Islamic enemy'.

Thus, the first and foremost factor in rise and development of mercantilism is that its pioneer practitioners started the search of bullion through foreign trade with *religious zeal*.⁵ 'Gold, said Columbus, 'is a wonderful thing! Whoever possesses it is master of everything he desires. With gold, one can even get souls into paradise' (Roll, 1974, p. 65). We have noted above some other sayings of Columbus and Vasco de Gama that they were engaged in exploration to recover Holy Lands and preach Christianity. Perhaps Montgomery Watt had that in mind when he writes:

"When the advancement to Jerusalem through the Mediterranean or eastern Europe was proved to be impracticable, a few men began to wonder if the Saracens (Muslims) could be attacked in the rear.Certainly some of those who sponsored or participated in the exploring expeditions regarded these as Crusading enterprise, and the members of the expeditions bore the Crusaders' cross" (Watt, 1972, p. 57).

Stripling is right when he declares that, 'The war of the Portuguese against the *Mamluks* has sometimes been regarded as merely a continuation of the crusade and only secondarily a trade war' (Stripling, 1977, p. 35).

War against Mamluks in early sixteenth century who had given once a crushing defeat to the united Mongol invaders by the end of thirteenth century and the Ottoman (the custodian of holy places) in the later period required unity of forces, regional and states, and gold for war expenditure. The mercantile system emphasized, among other things, these two essential elements of winning a war. Professor W.R. Shepherd summed up all the motives for expansion neatly as the three Gs "Gospel, Glory and Gold". Of these, only gold is, strictly speaking, an economic objective (Clough and Cole, 1967, p. 99), and it was intended to serve the first two.

IV. An Amoral, Restrictive, Unjust, and Exploitative System.

Though Mercantilism started as to serve Christianity and get hold of the Holy Places, in later period it developed opposition to religion and the church (Heckscher, 1955, 2:302, 303) because of latter's intolerance. 'The expulsion of Moors and Jews from Spain was exhibited as the pernicious result of intolerance' (ibid. p. 304). Mercantilism assumed form of a new religion and 'in deifying the state it opposed medieval religion, which had worshipped at quite other shrines' (ibid. 2:155). According to Lekachman (1959, p. 35), 'in its glory, mercantilism was a battle against hampering

medieval thought and practice'.

It was an amoral and exploitative system. 'The mercantilists were amoral in a two-fold sense, both in their aims as also in the means for the attainment of their ends. This two-fold amorality arose from their widespread indifference towards mankind, both in its capacity as a reasoning animal, as also in its attitude towards the eternal.' (ibid. p. 285). 'The interest in human beings' was replaced by 'the interest in the state'. 'The welfare of the state was substituted in place of amelioration of the individual ' (ibid). 'The individual's private economic interests were to be made serviceable for the end of the state' (p. 293). The freedom of trade 'meant to the mercantilist that one was free to do what one wished without prevention or compulsion by government regulation' (ibid, p. 296) 'As Oser and Blanchfield (1975, p. 9) observed:

'Mercantilistic nationalism of course meant militarism'. In England in 1549, people were forbidden by law to eat meat on certain days of the week in order to ensure a domestic market for fish brought by mercantilist seamen (ibid. p. 9). 'Mercantilists advocated the import of raw materials without tariffs if they could not be produced at home, protection for manufactured goods and raw materials that could be produced at home, and the restriction of the outward movement of raw materials. This emphasis on exports, this reluctance to import, has been called "the fear of goods". The interest of the merchants took precedence over those of the consumer' (Oser and Blanchfield, 1975, pp. 9-10).

'An act passed in 1565-66 during Queen Elizabeth's reign forbade export of live sheep. The penalties for violating this law were confiscation of property, a year in prison, and the cutting of the left hand. The death penalty was prescribed for a second offence' (Oser and Blanchfield, 1975, p. 10). These quotes which could be multiplied show how immoral, restrictive and exploitative the system of mercantilism was.

V. Crusading movement transformed

Certainly the crusading movement underwent great changes and so its organizers. During the thirteenth and fourteenth centuries it had as its chief emphasis the relief of the Holy Land. In the fifteenth century it took the form of boycott of Mamluk product and ban on trading with them. Then in the sixteenth century it transformed mainly to containment of the Ottoman Turks and then fighting for the economic interest. 'But it would be inaccurate to conclude from this that the ideal of recovering Jerusalem had ceased to play any role in crusading; for while the active planning of recovery crusades came to an end in 1370, the re-conquest of the Holy Land continued for centuries to exercise the imaginations of at least some Catholics' (Housley, 1992, p. 45). After citing a number of instances from the sixteenth century rulers, religious leaders, social thinkers and humanists who equally appealed or preached for recovery of Holy Lands, Housley writes: "These instances, which could easily be multiplied, illustrate what was clearly an important impulse to look beyond the crusade against the Turk (and occasionally the Moors of Granada or North Africa) towards the liberation of the Holy Land' (ibid. p. 47). He supports the view that 'although the crusade remained an inspirational ideal, commanding consistent interest and respect, it gradually ceased to be associated with military action'⁶ (ibid. p. 419). Thus, the exploration and commercial enterprises that started with the objective of financing crusades for recovery of Jerusalem and re-conquest of the Holy Lands, ended up in apparently economic movement (Hamdani 1994, p. 289).

Since the world market was limited, the clash of interest incited the European countries to fight each other. Spain and Portugal were already in fray. But they went to different directions.

England was late in joining the competition. It came in conflict with Spain. Portuguese, after dominating hundred years over the Arabian Sea and Indian Ocean, gave way to English and Dutch adventurers.

It may be said that as against the practices of Portuguese and Spanish invaders, the later phase of mercantilism was to avoid open confrontation with the 'host' country. Rather they tried to get capitulation⁷ and win 'friendship' of natives and then occupy them through creating confrontations among the rival factions and siding one of them or use the policy of divide and rule. This proved a more effective and successful strategy. It enabled Britain to enslave a huge country like India and put an end to the Mughal rule erstwhile one of the greatest Muslim states in the history.

VI. Impact

Mercantilist nations were impressed by the fact that the precious metals, especially gold, were in universal demand as the ready means of obtaining other commodities; hence they tended to identify money with wealth. As the best means of acquiring bullion, foreign trade was favored above domestic trade, and manufacturing or processing, which provided the goods for foreign trade, was favored at the expense of the extractive industries (e.g., agriculture). State action, an essential feature of the mercantile system, was used to accomplish its purposes. There is no denying the fact that mercantilism caused a spur in the development of Europe in general and particularly 'the Portuguese, Spanish, Dutch, English and later also the French economies, underwent a growth shock. They benefited from internal and external economies by the ensuing scale effects' (Baeck, p. 192). Mercantilists helped create trade patterns such as the triangular trade in the North Atlantic, in which raw materials were imported to the metropolis and then processed and redistributed to other colonies. The importance placed on bullion was also a central target, even if many mercantilists had themselves begun to de-emphasize the importance of gold and silver. These European countries took over the torch of development, 'the centre of the European world was displaced from the Mediterranean and moved to the Atlantic. In economic and political terms this Atlantic world took over the hegemony and would keep it 'for a long time' (Baeck p. 205).

VII. Concluding Remark: The shift of paradigm

The development of mercantilism resulted in shift of paradigm. Up to the early modern age economics was governed by religion and ethics. But new paradigm, strengthening state and economy at all costs, used by Mercantilists was adopted from Machiavelli (1469-1527) and Jean Bodin (1520-96) who freed politics from all moral and ethical considerations and held the state accountable to no one (Gray and Thompson, 1980, p. 56). Baeck is right to say:

"Looked at from the standpoint of intellectual history, the most important novelty of mercantilistic thought is that it marked the retreat of the moral economy. The evacuation of ethical principles and the differentiation of things economic from their normative context, truly distinguishes mercantilist writings from those of preceding Mediterranean tradition... The ethical paradigm that had reigned over the thinking about economics from the ancient Greeks to the school of Salamanca⁸, was dethroned by the *Atlantization* of the modern world and its doctrines' (Baeck. p. 192).

Surprisingly, 'Keynes in his celebrated work *General Theory* attempts to rehabilitate the mercantilist doctrine, though having a quite different social philosophy' (Heckscher, p. 340). It is pity that a movement which started with religious motive, proved antagonistic to religion and

morality. In development of mercantilism, the greatest loss of humanity was destruction of moral values that had been hitherto inseparable part of economic thinking and practices.

Endnotes

1. The statement is based on a direct quotation from Columbus' writing in which he addresses the Catholic Sovereign: "I declared to your Highnesses that all the gain of this my Enterprise should be spent in the conquest of Jerusalem." (Morison, 1963, p. 139).
2. Perhaps it would be ironical to call the exploiting country as 'mother' country because no *mother* would like to exploit her child and keep it always dependent?
3. Karl Pribram writes: "The consolidation of economic views which took place in the thirteenth century was partly by due to the fact that crusades had brought to the cities of Italy and some other European countries the knowledge of the new methods of organizing industrial and commercial activities" (Pribram, (1983, pp. 3-4). In words of Heaton, "Muhammadanism regarded trade as worthy occupation, ties of rule and religion facilitated long-distance trade and travel and since the Asiatic and the Moslem world possessed many industrial or agricultural skills and products which were superior to those of the European end, the West benefited by the lessons it learned from its new masters" (Heaton, 1948, p. 76). Elsewhere we have discussed the influence of Muslim scholars on Scholastics and the latter's dependence upon the intellectual contribution of the former and their achievements in the practical field (Islahi, 2005, pp.79-81, 96, 112).
4. The fact that the major European countries jointly attacked Jerusalem and were defeated, may be the reason that mercantilism simultaneously developed in all these countries. Here we presented the case of Portuguese mercantilists only. There is need to investigate about others on the same line. The movement that started on politico-economic and religious ground, turned seemingly a pure economic movement, but never lost these elements from its components. Only emphasis changed. When their economic interests clashed, they fought against each other.
5. According to Moreland (1974, p.25), by adopting the sea route through the Cape of Good Hope the Portuguese did not only aim at enriching themselves and striking 'a heavy blow at the prosperity of Moslem States, which were still regarded as the enemy of the Christendom, but at the same time they hoped to secure a position whence the Christian religion could be propagated, and thus their enterprise was at once commercial and missionary in its nature'.
6. The establishment of powerful Ottoman Empire and its custody of the holy places of Islam made the Crusaders forget Jerusalem (Hamdani, 1994, p. 289).
7. "The capitulations refer to a class of commercial treaties which Western power concluded with Asian and African states and under which Western nationals enjoyed extraterritorial privileges. European residents were thus subject to the laws of their home governments and immune from those of their home countries. Among the Near and Middle East lands the system developed most fully in the Ottoman Empire. In the sixteenth century Ottoman merchants imported from the East spices, Jewels, silks, and other wares for which the demand was brisk. But apparently they made little, if any, effort to organize trade within Europe itself. European merchants instead came to Ottoman commercial centers in the eastern Mediterranean to purchase these items as well as goods originating in the Ottoman Empire, exporting them to Europe in European vessels. In encouraging trade with the West, the early sultans thus did not have to seek equal treatment for

their own subjects." (Hurewitz, 1987, Vol. I. P.1). Such a capitulation or Treaty of Amity and Commerce granted to France continued up to 1924 (ibid.).

"Anthony Jenkinson, an enterprising English merchant, procured for himself and accredited representatives – in an audience of Aleppo with Sultan Suleyman I (1520-66) then preparing for battle against Persia – freedom to trade throughout the Ottoman Empire on the same basis as the French and the Venetians." (ibid. P.5). "The creation of the Levant Company in 1581 inaugurated English commerce with the Ottoman Empire on a sustained basis (ibid. p. 9.).

8. A group of Spanish theologians and Canonists formed the famous School of Salamanca. In the second quarter of the sixteenth century; the University of Salamanca became the Centre of an important scholastic revival. It adapted the juridical and normal concepts of Thomistic theology to modern times and kept its metaphysical aspects in the background.

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