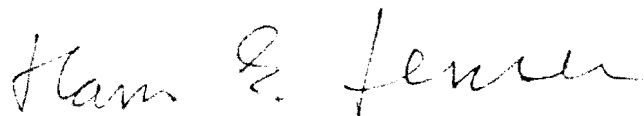


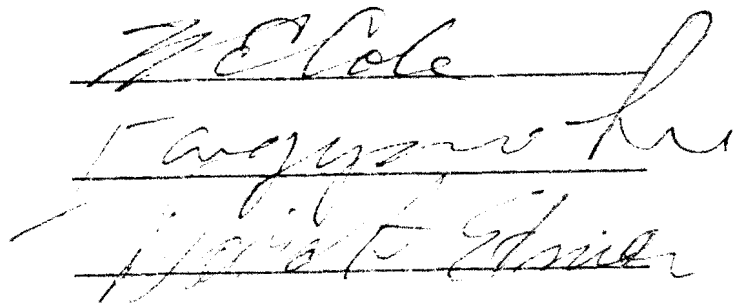
To the Graduate Council:

I am submitting herewith a dissertation written by George Dorian Choksy entitled "An Epistemological Analysis of the Economic Writings of Sir Dudley North." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Economics.



Hans E. Jensen, Major Professor

We have read this dissertation
and recommend its acceptance:



Accepted for the Council:


Vice Provost
and Dean of The Graduate School

AN EPISTEMOLOGICAL ANALYSIS OF THE
ECONOMIC WRITINGS OF
SIR DUDLEY NORTH

A Dissertation
Presented for the
Doctor of Philosophy
Degree
The University of Tennessee, Knoxville

George Dorian Choksy
June 1986

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to Nanny, Granny, Lois, Joyce, Robin, and Deidre
historical continuity

ABSTRACT

The existing secondary literature on the life and writings of Sir Dudley North is scant and incomplete, and contains substantial factual errors. In this dissertation, North's complete economic principles are reconstructed from primary sources; North invented a price mechanics of markets, a specie-flow mechanics, and a national income mechanics. The epistemological device of the conceptualized reality is used to analyze the sources of North's economic principles; his economics is decomposed into its constituent parts of historical and empirical fact matrix, and hypothetical and theoretical belief system. North's failure to establish a paradigm is explained, in terms of disjuncture with prevailing debate, and in terms of political considerations.

PREFACE

My research into the life, times, and ideas of Sir Dudley North had inauspicious beginnings, in the form of a term-paper project during my first year in graduate school. William Letwin's excellent work on the writings of Sir Dudley peaked my curiosity enough that I ordered several very old books by Roger North through the interlibrary loan. These arrived too late to be incorporated into the paper, and yet their antiquity delighted me so much that I studied them closely, out of pure idle curiosity. From that time onward, Sir Dudley North became my constant companion--my 'hobby,' if you will--and, as with most hobbies, this one tended to expand with the passage of time. I found myself 'needing' to read in the fields of English and Ottoman history, epistemology, Islamic religion, the history of money, mercantilist literature, and other fields, just to 'feed my hobby.' After five years of this, I suddenly realized that I had the makings of a dissertation topic on my hands, even though this had never been my original intention. This revelation came as quite a surprise to me, since much of my formal graduate education had been directed towards a Ph.D-field in econometrics.

I cannot explain why Sir Dudley North has been so neglected by historians of economics--but I can right the wrong, and this dissertation constitutes only the first installment in that process. I wish to thank my mentor, Hans E. Jensen, for his continuing encouragement and guidance over the past twelve years of this endeavor. Any errors that remain are exclusively my own. I also wish to express sincere appreciation to my alma mater, The University of Tennessee at Knoxville, for giving me the latitude--and the time--to 'change majors' in mid-stream. Without such latitude and discretion, this research might never have seen the light of day.

TABLE OF CONTENTS

CHAPTER	PAGE
I. TOPICS AND METHOD	1
II. THE ECONOMIC PRINCIPLES OF SIR DUDLEY NORTH	14
III. FOUNDATIONS FOR SIR DUDLEY'S FORMAL ANALYSIS	64
IV. SIR DUDLEY'S CONCEPTUALIZED REALITY: FACTS, PROCESSES, STRUCTURE	97
V. SIR DUDLEY'S ANALYSIS	124
VI. FAILURE TO ESTABLISH A PARADIGM	131
VII. SUMMARY, CONCLUSIONS, AND SUGGESTIONS FOR FURTHER RESEARCH	159
BIBLIOGRAPHY	162
VITA	170

CHAPTER I

TOPICS AND METHOD

There is a paucity of economic literature concerning the writings of Sir Dudley North. A perusal of contemporary works in the history of economics makes it evident that there is no uniform treatment of Sir Dudley's place in the development of economic ideologies. For example, in his History of Economic Analysis, Joseph Schumpeter made the following observation: "North in particular did nothing but sum up, incompletely but effectively, the contribution of the 'mercantilist' writings to 1691."¹ Schumpeter believed that the economic content of North's analysis was "so primitive that there is no point in insisting on it."² More recent works in the history of economics have taken a different approach in the characterization of Sir Dudley North and Discourses Upon Trade.³ Jacob Oser and William Blanchfield, for example, delineate an immediate preclassical period of economic thought, characterized by the writings of

¹Joseph A. Schumpeter, History of Economic Analysis, Oxford University Press, Inc., New York, 1954; p. 369.

²Schumpeter, History of Economic Analysis, p. 370.

³Sir Dudley North, Discourses Upon Trade, 1691, edited by Jacob H. Hollander, The Johns Hopkins Press, Baltimore, Maryland, [1691] 1907.

Cantillon, Hume, and North, in which the writers are groping toward a scientific economics with only partial success.⁴ From this vantage, the economics of Sir Dudley North is seen to be more analytically acute than that of the mercantilist school of thought, but within the conceptual bounds of the prescientific stage of the development of economics.

From either perspective, there is no unique importance attached to North's writings. Discourses Upon Trade had no discernable effect on economic thinking at the time of its publication, and although Adam Smith had heard of the tract, he never saw it.⁵ James Mill, John McCulloch, and David Ricardo were the first of the classical economists to bring Discourses Upon Trade into the awareness of the writers of the classical period in economics, but the tract was then viewed as a delightfully curious premonition of classical notions, and no special significance was attached to it.

The most substantive contribution to the literature concerning Sir Dudley North consists of two chapters in

⁴Jacob Oser and William C. Blanchfield, The Evolution of Economic Thought, Third Edition, Harcourt Brace Jovanovich, Inc., New York, 1975; pp. 42-58.

⁵William Letwin, Origins of Scientific Economics, Doubleday & Company, Inc., New York, 1964; p. 274.

William Letwin's Origins of Scientific Economics. Letwin drew upon the writings of Dudley North and Roger North, Dudley's younger brother, and produced a biographical sketch of Sir Dudley North, and showed that North's economics was superior to that of his mercantilist contemporaries in terms of analytical consistency. Of North's economics, Letwin says,

North's is the first full equilibrium analysis in the history of economic theory; or, more exactly, North was the first economic writer to construct a cogent analysis, founded on a few, broad, general principles of axiomatic simplicity, which enable him to provide a mechanistic explanation of an economic process, and to reach policy conclusions that are deducible strictly from the premises. Meager and excessively terse as the Discourses seem, they contain a theoretical structure of power unequalled in their time, the peak of economic thought during the seventeenth century.⁶

Letwin also showed that the preface to Dudley North's Discourses Upon Trade was probably written by Roger North. Letwin's analysis of the original handwritten manuscripts of the preface and text of Discourses Upon Trade led him to formulate the following hypothesis about the authorship of the tract:

The hypothesis is that Dudley dictated a draft of the two discourses and the postscript to Roger, that Roger then took it away for editing, returning with certain queries about the second discourse, which he discussed with Sir Dudley. At about this time the draft was

⁶Letwin, Origins, p. 213.

shown to Basset, the printer, who announced it for publication in November 1691. For some reason Roger and Sir Dudley were unable to meet again to discuss the rest of the draft before Sir Dudley's unexpected death on 31 December 1691. Roger then hastily revised the first discourse and the postscript, and wrote the Preface to defend the style of the text, . . . and to provide a badly needed introduction. The Discourses⁷ were then published before 25 March 1692.

Letwin attributes the distinctly laissez-faire statements in the preface and the postscript to embellishments by Roger North. Therefore, Letwin had reservations about sanctioning Discourses Upon Trade as a true anticipator of classical economics, because he felt that there was a lack of sufficient integration of Dudley North's economic theories with the classical liberal belief system of laissez-faire; he says, "The tight intellectual link between classical economic theory and classical liberalism had yet to be forged."⁸

Another reason why Letwin doubts that Dudley North imputed social welfare significance to an unregulated system of price-generating markets has to do with his portrayal of Dudley North as being uncultured and uneducated. Letwin has characterized North as knowing

⁷Letwin, Origins, p. 287.

⁸Letwin, Origins, p. 216.

"nothing of literature, art, scholarship, or science."⁹ Letwin feels that although North invented an internally consistent price mechanics, he may not have been intellectually sophisticated enough to fully discern or appreciate the social welfare implications of that mechanics. He explains,

As if his education were not already deficient, North was isolated from English life by a residence in Turkey which began in about 1660, his nineteenth year. When he returned to England at forty, he looked a barbarian, and was not much more cultured than one. Although he recovered enough Latin to read some of the classics, he never seems to have done or enjoyed much reading.¹⁰

Based on these judgements of the lack of complexity of Dudley North's mind and the vacuousness of his experiences in the Ottoman Empire, Letwin concludes that it may be an "irreducible . . . mystery," that

. . . a merchant should have been able to solve the concurrent problems of rhetoric and analysis that needed to be solved in order to arrive at an economic theory, however primitive, which can fairly be called scientific.¹¹

⁹Letwin, Origins, p. 197.

¹⁰Letwin, Origins, p. 198.

¹¹Letwin, Origins, p. 197.

An Accurate Characterization
of Sir Dudley North

Letwin's special emphasis on the uniquely scientific consistency of the economics of Sir Dudley North can be supported easily, by recourse to North's writings. Similar recourse also shows that Letwin's authorship hypothesis is sound. However, Letwin's characterization of Dudley North as being uncultured and uneducated is in error. The error is compounded when this characterization is used to lend support to the hypothesis that the laissez-faire beliefs embodied in Discourses Upon Trade were probably the exclusive embellishments of Roger, and may not have had counterpart in Dudley's thought.

Sir Dudley North was a highly learned and cultured man. In addition to Latin, North could read and write Spanish, Italian, Hebrew, and Turkish; and he commanded very high levels of abstract and applied mathematics, the universal scientific language.¹² He knew an extraordinary amount about the current states of the natural sciences,

¹²Roger North, The Lives of the Right Hon. Francis North, Baron Guilford, Lord Keeper of the Great Seal, under King Charles II, and King James II. The Hon. Sir Dudley North, Commissioner of the Customs and afterwards of the Treasury, to King Charles II. And the Hon. and Rev. Dr. John North, Master of Trinity College, Cambridge, and Clerk of the Closet to King Charles II., New Edition, 3 volumes, Henry Colburn, London, 1826; 2:341-342, 373-374; 3:40, 93, 145.

and seems almost to have been obsessed with physics and chemistry experiments throughout the entire span of his adult life.¹³ Toward the end of his life, his home was cluttered with experimental apparatus, mechanical devices, and inventions. He wrote essays on English and Ottoman history, in which he tended to recount and explain events within the context of the functioning of social, political, and economic institutions.¹⁴ Furthermore, life in the heart of the Ottoman Empire during the late seventeenth century cannot be accurately characterized as "barbarian." In his History of the Ottoman Empire and Modern Turkey, Stanford Shaw claims that

Such observations have largely been products of European ignorance of and prejudice against Islam. They result from the lack of linguistic as well as aesthetic qualifications needed to discern and appreciate cultural developments outside the European sphere of experience and awareness. The Ottomans did in fact develop and maintain a very rich and diversified cultural life¹⁵ throughout the existence of their empire.

Ottoman culture at that time included much formal work in the fields of medicine, mathematics, astronomy,

¹³Roger North, The Lives, 3:201-219.

¹⁴Roger North, The Lives, 3:78-90.

¹⁵Stanford Shaw, History of the Ottoman Empire and Modern Turkey, 2 volumes, Cambridge University Press, Cambridge, 1976; 1:139.

geography, history, literature, and music; North's essays and letters show evidence of more than passing interests in all these fields. The Ottoman state, society, and economy were structured within a complex body of law.¹⁶ Dudley North was skilled in the practice of Islamic law, and was once considered worthy of consultation by the Chief Judge of Constantinople.¹⁷ Additionally, North's dealings in Turkey daily brought him into the formal society of the rulers of the Ottoman Empire. Consideration of this evidence suggests that, in many important respects, Dudley North was as intellectually diverse and sophisticated as any of his contemporaries in economics, and it specifically questions Letwin's hypothesis that, of the two brothers, only Roger North possessed the conceptual constructs underlying some of the statements in the preface and postscript of Discourses Upon Trade.

The sources of the economic writings of Sir Dudley North are, therefore, neither mysterious nor irreducible. In addition, North's writings take on an importance which is independent of both their niche in the accumulated body of theory and their possible impacts upon later writers.

¹⁶Shaw, Ottoman Empire, 1:139-149, 284-293.

¹⁷Roger North, The Lives, 2:382-383.

The particular importance of Sir Dudley North is that his life and writings comprise a unique case study in the formation of novel scientific economic theory. Such an investigation into the heart of the process of theory formation serves to systematize and thereby clarify the historical evolution of all economic ideologies. To perceive the individual components which synthesize to an ideological conceptualization of socioeconomic processes is to begin to build a predictive model for paradigm change.

Method

The "irreducible . . . mystery" of the sources of North's economic thought can be successfully approached by application of the epistemological device of the conceptualized reality.¹⁸ In general terms, theories and models of economic behavior exist within some determinate epistemological frame; that is, they are constrained within the conceptualized reality of the author, which is composed of the system of hypothetical and theoretical beliefs to which the author adheres, and of the matrix of historical and empirical data which the author considers

¹⁸Hans E. Jensen, "Some Aspects of the Social Economics of John Maynard Keynes," in International Journal of Social Economics 11 (1984):77.

to be known. Using the device of the conceptualized reality as a taxonomic framework, economic writings can be decomposed into their component parts of hypothetical and theoretical belief system, and historical and empirical fact matrix. These components may reasonably be called the sources of the economics. In the case of Dudley North, certain hypothetical and theoretical beliefs, which are evidenced in North's writings, taxonomized and functionally sequenced the historical and empirical fact matrix with which North worked into determinate types of analytical constructs. These constructs, or theories and models, performed the function of an ideological rationalization, justification, and legitimization of specific stylized and idealized economic institutional arrangements in society. In the writings of North, the particular elements of the belief system and the fact matrix can be seen to synthesize to an historically unique configuration of scientific economic theory.

North wrote at a time when there were several fundamentally different theoretical constructions which were candidates for paradigm in economics. This is readily apparent in the variety of economic constructs which surfaced during the two centuries prior to Adam Smith; the exact mechanics of the mercantilist prescientific paradigm depended upon each specific

mercantilist ideologue and the special cases being pleaded, and physiocracy took yet another completely different conceptualization of and approach to economic analysis. During this pre-paradigm period, all of the historical and empirical information which may have impinged on the scope of economic inquiry was likely to seem equally relevant to the investigators. The perceptual filtering of information was at first highly random, and was typically restricted to what was easily available, rather than to what would have been conceptually rigorous.¹⁹ For each pre-paradigm writer, the resulting matrix of perceived facts was thus derived from scientifically casual observation and experimentation.²⁰

North, however, seems to have insisted upon conceptual rigor and systematic data collection. That North's economics was scientific was, in part, due to the ways in which he assembled the relevant fact matrix, and due to the mechanistic nature of the data he continually filtered into it. North constantly retrieved esoteric data from the established crafts and technology, and from personal experimentation. Careful measurement, and the

¹⁹Thomas S. Kuhn, The Structure of Scientific Revolutions, Second Edition, Enlarged, The University of Chicago Press, Chicago, 1970; p. 15.

²⁰Kuhn, Scientific Revolutions, p. 15.

manipulation of systems of internally consistent functional relations, were highly cultivated habits in Dudley North, and were the constant systematizers of his fact matrix. Mechanistic construence of economic experiential reality was as natural to him as was mechanistic construence of physical reality.

Topics

As has already been shown, Letwin's hypothesis concerning North's formally acquired knowledge base is less tenable than the hypothesis that Dudley North was a highly learned and cultured man. A detailed application of the epistemological analytical device of the conceptualized reality suggests that the following hypotheses concerning Sir Dudley North and his economics may reasonably be formulated and supported: (1) the complete folio of North's economics is more comprehensive than the limited synopsis which Letwin extracts from Discourses Upon Trade, and Letwin's assessment of North's achievement is therefore open to doubt; (2) the theoretical constructs contained in Discourses Upon Trade began to take form in North's mind as early as the 1660s, as an outgrowth of his insatiable scientific curiosity; and (3) Sir Dudley North's scientific economics failed to establish a paradigm not only because it was completely

disjoint with mercantilism, but also because Sir Dudley's political activities in England obscured any possible contributions he might have made to economics.

CHAPTER II
THE ECONOMIC PRINCIPLES OF
SIR DUDLEY NORTH

My Dear Sir [13 January 1822]
Since I wrote the accompanying letter I have obtained from my excellent friend Mr. J. A. Murray Advocate a copy of a reprint of the exceedingly scarce pamphlet of Sir Dudley North which he requests me to forward to you

Yours most truly
J. R. McCULLOCH

My Dear Sir London 8 Feb.y 1822
I have written to Mr. Murray to thank him for the copy of Sir Dudley North's Discourses on Trade. I had no idea that any one entertained such correct opinions, as are expressed in this publication, at so early a period

With great regard I remain
Ever truly Yours¹
DAVID RICARDO

It was in the year 1822, fully one-hundred thirty years after its publication, that Discourses Upon Trade first came under the examination of professional economic thinkers. John Murray, the publisher, had located an original copy of the tract and struck a reprint from it, sending copies to John McCulloch and David Ricardo. Ricardo was the most highly renowned of the British classical economists at the time the above letters were

¹David Ricardo, The Works and Correspondence of David Ricardo, 10 volumes, edited by Piero Sraffa and M. H. Dobb, Cambridge at the University Press for the Royal Economic Society, London, 1973; 9:150-151, 156-159.

exchanged. When Ricardo exclaimed surprise at North's correctness, he sanctioned Discourses Upon Trade as being very much in agreement with the form and content of his own classical political economy. This, of itself, is not mysterious. As Letwin points out, North's Discourses Upon Trade is entirely composed of "mechanism[s] tending towards equilibrium," and therefore is a "full equilibrium analysis."² This attribute gives Discourses Upon Trade a commonality of theoretics with the classical economics of Ricardo. Letwin contends that North was the first to argue from a few simple axioms that the economy is a system of interrelated markets in which there is an automatic equilibration mechanism which determines all prices, and that the money supply automatically equilibrates to the volume of trade in the market system; this is how Discourses Upon Trade is a "full equilibrium analysis." North stood alone among his contemporaries in this respect; he was the first inventor of an economics which was perfectly scientific.

Dudley North's economics can be called perfectly scientific, Letwin maintains, not because it is a 'perfect economics,' but because it is a meticulously constructed system of flawless deductive reasoning:

²Letwin, Origins, p. 213.

[North's economics is] . . . a taut deductive system that infers its conclusions from a set of simple principles. This is the method of 'demonstration', as that term was used in classical logic; it is precisely the method of Euclid's proofs, and . . . nobody would accuse Euclid of maintaining any of his theorems because they suited his self-interest. The only relevant critique is that the premises are false or inadequate or the chain of reasoning imperfect; failing this, the conclusions are binding, no matter what may be the character of the author.

But this method for guaranteeing objectivity is also the method par excellence of scientific theory. The theory consists of a deductive system linking a few fundamental principles with a set of conclusions . . . ; and here too the only pertinent questions are whether the premises are correct and³ adequate and the chain of reasoning flawless.

In synthesizing and analyzing North's economics, Letwin confines himself to the economic constructs, analyses, and policy recommendations contained within Discourses Upon Trade only. On the basis of this tract alone, and with the misconception that Dudley North was uneducated in and uncaring of science, Letwin concludes that Dudley North was not really an 'early economist' operating from scientific curiosity, but rather that he was a merchant with political designs, who just happened to stumble upon a terse yet scientific economics, in trying to achieve political ends:

³Letwin, Origins, pp. 104-105.

Rational persuasion is best accomplished by deductive demonstration. It happens that scientific explanation also requires deductive reasoning from a set of a few clear and simple principles. The difference between the immediate purposes of the advocate and the scientist explains why men say that they assent to the argument of the one and understand the argument of the other; and this difference may obscure the fundamental similarity or identity, as it may sometimes be, in the logical structures of the two arguments. Yet the advocate of a policy can be likened to an engineer, and as the engineer's logic and the scientist's are the same, even though their purposes differ, so the advocate of economic policy may use exactly the same method of reasoning as the economic theorist. More, he may devise for the purposes of ultimate action the same scientific theory at which a pure theorist would have arrived under the impulse of pure speculation. That was exactly what Dudley North did.⁴

Letwin's judgement of Dudley North is that he was interested only in an analysis of questions relating to the interest rate, the coinage, and trade--the realm of political concerns of "the perfect merchant . . . [who] knew everything he should have known, and nothing more."⁵

This judgement is odd, because Letwin was surely aware of another relevant dimension of North and his economics. After North returned to England, he became a speculator in land values, and a wealthy landlord who delighted in acting the part of 'Landed Gentry' with wry

⁴Letwin, Origins, p. 219.

⁵Letwin, Origins, p. 201.

conspicuous flourish. During this period, his thoughts turned to the distribution of income between resource supplier conceptual categories, and he developed an economic analysis of the effects of the Poor Laws, the Settlements Acts, and the enclosure movement, which goes far beyond the economics of Discourses Upon Trade. Letwin claims that this analysis was intended to have been published as a sequel to Discourses Upon Trade, and yet Letwin fails to integrate this additional dimension of North's economics into his synopsis, analysis, and judgement. Indeed, no one has ever formally examined this dimension of Dudley North's economic thought. Therefore, Letwin's synopsis of North's economics is incomplete, and his judgement of the character of North's achievement is open to doubt.

Delineating the Economics
of Sir Dudley North

The economic substance of the aborted sequel to Discourses Upon Trade finally appeared sixty-two years after Dudley's death, in the guise of a tract titled A Discourse of the Poor.⁶ As Letwin points out by way of a footnote, A Discourse of the Poor was published under

⁶Roger North, A Discourse of the Poor, EP Publishing Ltd., Johnson Reprint Corporation, New York, [1753] 1972.

Roger North's name posthumously, and this attribution of authorship is questionable. Letwin says that A Discourse of the Poor was "based very largely on Sir Dudley's ideas, set forth in a manuscript to have been published as a sequel to the Discourses" ⁷

Although Letwin does not explain this specifically, the initial basis for questioning the authorship of this tract lies in two primary sources. In his biography of Dudley North, Roger North makes a statement which can be interpreted to indicate that the economic analysis contained in A Discourse of the Poor was originally outlined by Dudley, for the purpose of a debate in which he hoped to persuade Parliament to abandon the Poor Laws:

Sir Dudley North was much scandalized at the laws made in England for the poor, under which monies were collected, all over England, by parish rates, for their maintenance; and he had also formed a design for the disclosing his mind in the House of Commons, concerning that constitution, by collecting materials in writing (as he had done before, but more formally, touching clipped money), which he should have used in a debate, if the house had fallen upon any thing relating to it. ⁸

The second piece of immediately available evidence which Letwin may have had in mind when suggesting authorship by Dudley North is that, in the preface to A

⁷Letwin, Origins, p. 294.

⁸Roger North, The Lives, 3:173-174.

Discourse of the Poor, Roger North's son, Mountagu North, says that the handwritten draft of this tract was "found amongst his [i.e., Roger North's] loose Papers," and that it was probably written "before, or soon after the Revolution."⁹ Roger and Dudley were inseparable companions during that period, and talked of science, architecture, economics, law, and politics constantly. Roger had then taken possession of most of Dudley's manuscripts and letters, including the outline of this tract, by the time of the latter's death. If this tract was a collection of notes and additions amongst loose papers when Mountagu found it, then Mountagu North probably incorrectly attributed authorship of A Discourse of the Poor exclusively to his father. Mountagu gives no indication whatsoever, in his preface to the tract, that he had any idea that any of it might originally have emanated from Dudley. This is probably how the tract came to be attributed exclusively to Roger.

There are other hints that much of A Discourse of the Poor emanated from Dudley. It is worthy of note that references to the Ottoman Empire occur with high frequency throughout the entire text of A Discourse of the Poor; and

⁹Roger North, A Discourse of the Poor, Mountagu North's preface, pp. iv, vi.

in several places, there are lengthy digressions into Ottoman institutional structure, practices, and history. This would have been approximately twenty years before Roger is known to have written anything else of that sort; his first rough draft of Dudley's biography was not written until 1709.¹⁰ On the other hand, it is certain that Dudley had written Ottoman institutional history and analysis before 1680--before the first drafting of A Discourse of the Poor, approximately in 1688. Furthermore, a sizable digression into the history of land-use and land titles in England, by way of investigating the evolution of the enclosure movement, is at least as likely to have come from Dudley the great landlord, as from Roger the middling lawyer; Dudley became deeply involved in real estate in England during the 1680's, and it is apparent from his biography that he failed to incite any enthusiasm for real estate in any of his brothers, who frankly questioned his sagacity for dealing so heavily in land-values.

In his book Roger North (1651-1734) Virtuoso and Essayist, Franciscus Korsten, a most scholarly authority on the life and writings of Roger North, says of this tract that "Dudley's ideas on the subject are clearly

¹⁰Letwin, Origins, p. 278.

discernable," and that, with respect to the two brothers' modes of analyzing and discussing the Poor Laws in general, "Dudley's criteria are purely economic," whereas "Roger's remarks about the poor contain elements which point to other than economic considerations."¹¹

Roger North himself would have agreed with Korsten's judgement about the brothers' differing degrees of reliance on economic reasoning:

Perhaps my [brother] . . . may think me too sawcy, for putting my Oar into his Boat . . . ;
 . . . yet the Advantage¹² is his, for he hath two,
 and better, for my one.

A very provocative piece of evidence can be evoked from a comparison of a previously cited passage from The Lives, and the introductory statement to the main body of A Discourse of the Poor. As has already been shown, Roger reported in The Lives that Dudley was "much scandalized at the laws made in England for the poor," and that he was therefore "collecting materials in writing" concerning the economic effects of the Poor Laws and Settlements Acts.

¹¹Franciscus J. M. Korsten, Roger North (1651-1734) Virtuoso and Essayist: A Study of His Life and Ideas, Followed by an Annotated Edition of a Selection of His Unpublished Essays; APA-Holland University Press, Amsterdam, 1981; pp. 266, 195.

¹²This is from the final paragraph of the Preface to Sir Dudley North's Discourses Upon Trade. As Letwin has established, the Preface, and hence this statement, were written by Roger North; p. 14.

A Discourse of the Poor begins with a capsulized history of these regulatory statutes, after which the economic analysis within the tract is introduced by the author with these words:

. . . I do not find the threatening Mischiefs so great as the supine Neglect of our Countrymen in Parliament to obviate them. Nay, although the Evil pincheth, and we find not Hands to perform our Harvests, none stirs, however sensible the Occasion of it is; as if they were asleep, or surrender'd the Public to blind Chance, being resolved to accept the Ruin, by whatever Means it comes. This makes me recollect my Thoughts, and commit them to Paper; whereby I am at present diverted, and hereafter, if Occasion be, may have Recourse to them, and recover the Considerations I now have had upon deliberate thinking and converse on the Subject. And if I never see Occasion to use them, perhaps some that follow me, and will be troubled to peruse my Papers, may, and I hope, will be inclined to favor their own and Posterity's Interest, and be induced to set their Hand¹³ to the pulling down this unhappy Constitution.

The author of this introductory statement was obviously almost as "much scandalized at the laws made in England for the poor," as he was disgusted by "the supine Neglect of our Countrymen in Parliament to obviate them." He felt moved by the situation to collect "materials in writing"--to consolidate his thoughts on the subject and "commit them to Paper." The introductory statement by the author of A Discourse of the Poor is so nearly perfectly

¹³Roger North, A Discourse of the Poor, p. 12.

congruent with Roger's explanation for Dudley's collection of "materials in writing," that the outlined arguments which follow the introduction are, in all probability, the very same "materials" which Dudley collected. In fact, if the use of the personal pronoun "I" is to be considered significant, in the introductory passage, then this passage was certainly written by Dudley North, for it was he, and not Roger, who originally penned the "materials."

The author next outlines the arguments to be constructed:

In the Prosecution of which Discourse, I shall propose, in the general, three Things.
 1. That the End and Design of this Law is in no Sort attained by the Use and Practice of it.
 2. That the Public is extremely damnified, and in Danger of utter Ruin from it. 3. The Means I think most apt for obtaining a Regulation with the least Inconvenience.¹⁴

Most of A Discourse of the Poor is subsumed under the exposition of this outline, and the vast bulk of this exposition is in the form of rigorously deductive economic analysis--the type of analysis of which Roger had said that Dudley "hath two, and better, for my one."

Based on all of the preceding evidence, it is possible to argue that Roger North did not exclusively author A Discourse of the Poor. That this is so, is

¹⁴Roger North, A Discourse of the Poor, p. 13.

fairly certain. Therefore, the following working hypothesis will be used: Sir Dudley North originally authored all of the economic constructs, analyses, and policy recommendations within the text of A Discourse of the Poor.¹⁵ Utilizing this working hypothesis, Discourses Upon Trade and A Discourse of the Poor shall be taken to constitute Sir Dudley North's portfolio of economics. When integrated, these two works constitute a far more comprehensive "full equilibrium" economics than Letwin had supposed, and the breadth and power of North's portfolio of economic principles cast doubt on Letwin's contention that Dudley North was not, first and foremost, a theoretical economist driven by scientific curiosity, scientific habit, and a vision of the ideal society.

A Synopsis of Sir Dudley North's Economic Principles

In contradistinction to the simple synopsis provided by Letwin, it can be shown that Dudley North invented a comprehensive and integrated set of economic principles. North's principles maintain that the economy is a system

¹⁵This amounts to hypothesizing that the entire tract (excluding Mountagu North's preface) was written by Sir Dudley North, and that Roger never got around to editing the rough draft, except to copy it over for the sake of neatness and manageability, which was his common habit.

of interrelated markets in which there is an automatic equilibration mechanism which determines all prices of commodities and factors; that there is therefore a consequent automatic equilibration of the distribution of income among factors; that the volume of trade automatically equilibrates to the equilibrium distribution of income among factors; and that the money supply automatically equilibrates to the equilibrium volume of trade.

Because they are meticulously sequenced deductive arguments, North's economic principles are best synopsized in the order in which they are presented in Discourses Upon Trade and A Discourse of the Poor:

- I. Discourses Upon Trade
 1. "A Discourse Concerning the Abatement of Interest." [p. 15]
 2. "A Discourse of Coyned Money." [p. 23]
 3. "Postscript." [i.e., the secular trend; p. 34]
- II. A Discourse of the Poor
 - "1. Depopulation.
 - "2. Enhancing of Labour.
 - "3. Fall of Lands.
 - "4. Decay of Trade. And,
 - "5. Encrease of Poor." [p. 46]

Discourses Upon Trade

Interest. Trade is a commutation of superfluities. Unfettered intra-national trade distributes a nation's product according to peoples' wants. People want commodities; money is only a means to that end. Gold and silver are commodities which have desirable characteristics as money, but as such, they are only the means to the ultimate end of commodity consumption:

. . . he who is most diligent, and raiseth most Fruits, or maketh most of Manufactory, will abound most in what others make, or raise; and consequently be free from Want, and enjoy most Conveniences, which is truly to be Rich, altho' there were no such thing as Gold, Silver, or the like amongst them.¹⁶

People have differing talents and diligence. Some become more productive and wealthier than others. Wealthy people hold some of their wealth in the form of liquid assets:

. . . some are more provident, others more profuse; some by their Industry and Judgment raise more Fruits from the Earth, than they consume in supplying their own occasions; and then the surplus remains with them, and is Property or Riches.¹⁷

So it is also with nations. Nations differ in productive factors and wealth. Wealthy nations contain stocks of money assets:

¹⁶Sir Dudley North, Discourses Upon Trade, p. 16.

¹⁷Sir Dudley North, Discourses Upon Trade, p. 16.

And it will be found, that as some particular Men in a Town grow richer, and thrive better than others; so also do Nations, who by Trade serving the occasions of their Neighbours, supply themselves with what they have occasion for from abroad; which done, the rest is laid up, and is Silver, Gold, &c. for as I said, these being commutable for everything, and of small bulk, are still preferr'd to be laid up, till occasion shall call¹⁸ them out to supply other Necessities wanted.

Liquid assets are made to be productive, by peoples' natural inclination to further advance their own wealth. The landlord earns rent on land; the moneylender earns interest on loaned money. Loaning money is more hazardous than renting land, and hence commands a higher price, ceteris paribus:

Now Industry and Ingenuity having thus distinguisht Men into Rich and Poor; What is the consequence? One rich Man hath Lands, not only more than he can manage, but so much, that letting them out to others, he is supplied with a large over-plus, so needs no further care.

Another rich Man hath Goods; that is, Mettals, Manufactures, &c. in great quantity, with these he serves his own occasions, and then commutes the rest in Trade . . . whereby managing cunningly, he must always advance.

Now as there are more Men to Till the Ground than have Land to Till, so also there will be many who want Stock to manage; and also (when a Nation is grown rich) there will be Stock for Trade in many hands, who either have not the skill, or care not for the trouble of managing it in Trade.

But as the Landed Man letts his Land, so these still lett their Stock; this latter is call'd Interest, but is only Rent for Stock, as the other is for Land.

¹⁸ Sir Dudley North, Discourses Upon Trade, p. 17.

Thus to be a Landlord, or a Stock-lord is the same thing; the Landlord hath the advantage only in this: That his Tenant cannot carry away the Land, as the Tenant of the other may the Stock; and therefore Land ought to yield less profit than Stock, which is let out at the greater hazard.¹⁹

Supply and demand determine all prices; so it is with money as well. When the quantity of money supplied exceeds the quantity of money demanded, interest falls:

. . . as plenty makes cheapness in other things, as Corn, Wool, &c. when they come to Market in greater Quantities than there are Buyers to deal for, the Price will fall; so if there be more Lenders than Borrowers, Interest will fall ²⁰

As trade increases, the quantity of money in the nation increases as a natural consequence of the profit-motives of the holders of idle money assets, and interest falls. Therefore, low interest is the effect of vigorous trade, and not its cause: "It is not low Interest makes Trade, but Trade increasing, the Stock of the Nation makes Interest low."²¹

The quantity of money supplied is directly related to the interest rate:

¹⁹Sir Dudley North, Discourses Upon Trade, pp. 17-18.

²⁰Sir Dudley North, Discourses Upon Trade, p. 18.

²¹Sir Dudley North, Discourses Upon Trade, p. 18.

. . . high Interest will bring Money out from Hoards, Plate, &c. into Trade, when low Interest will keep it back.

Many Men of great Estates, keep by them for State and Honour, great Quantities of Plate, Jewels, &c. which certainly they will be more inclin'd to do,²² when Interest is very low, than when it is high.

Therefore, usury laws contract the quantity of loanable money:

. . . it cannot be denied, but the lowering of Interest may, and probably will keep some Money from coming abroad into Trade; whereas on the contrary, high Interest certainly brings it out.²³

Money demand is composed of demand by the landed gentry, and commercial demand, the former being predominant. The landed gentry borrow upon mortgage; this is safer for the lender than loaning to traders, who borrow on personal security. Usury laws therefore subsidize the aristocratic consumption of luxuries, to the detriment of trade:

Then again it is to be considered, that the Moneys imployed at Interest in this Nation, are not near the Tenth part, disposed to Trading People, wherewith to manage their Trades; but are for the most part lent for the supplying of Luxury, and to support the Expence of Persons, who though great Owners of Lands, yet spend faster than their Lands bring in; and being loath to sell, choose rather to mortgage their Estates.

²²Sir Dudley North, Discourses Upon Trade, p. 19.

²³Sir Dudley North, Discourses Upon Trade, p. 19.

So that in truth an Ease to Interest, will rather be ²⁴a Support to Luxury, than to Trade

Thus, usury laws are inimical to the growth of the national volume of trade and wealth:

It is probable that when Laws restrain Interest of Money, below the Price, which the Reason of Trade settles, and Traders cannot (as we will suppose) evade the Law, or not without great difficulty, or hazard, and have not Credit to borrow at Legal Interest, to make, or increase their Stock; so much of Trade is lopt off; and there cannot be well a greater obstruction to diminish Trade then this would be.²⁵

Coined Money. Gold and silver are universally acceptable as money. Trade is facilitated by coined money, as the stamp of the state attests to quantity and fineness. Since coin is much easier to deal with than bullion in commercial transactions, coin automatically passes at a higher value per unit-weight than does bullion, ceteris paribus:

Gold and Silver, thus coyned into Money, and so become more useful for Commerce than in the Log or Block, hath in all places, except in England since the free Coynage, reasonably obtained a ²⁶greater value than it had before

²⁴Sir Dudley North, Discourses Upon Trade, p. 20.

²⁵Sir Dudley North, Discourses Upon Trade, p. 21.

²⁶Sir Dudley North, Discourses Upon Trade, p. 23.

When trade stagnates, it is not due to a paucity of coined money, but due to other reasons. When people exclaim that there is a paucity of money in the land, what they really mean is that they cannot get as high prices as they want and expect for their goods and services. Therefore, the depression of prices--and not scarcity of money--is the analytically correct characterization of stagnant trade:

. . . what do these People want, who cry out for Money? . . . the Farmer complains, for the want of Money; . . . he thinks that were more Money in the Country, he should have a Price for his Goods. Then it seems that Money is not his want, but a Price for his Corn, and Cattel, which he would sell, but cannot.²⁷

Depressed prices are caused by excess market supplies driving down prices; or by temporary atypical interruptions to international trade, such as wars; or by changes in the habits of consumption, due to actual or expected falling incomes. These are the factors which must be addressed by policy, if trade is to recover; and minting new money does nothing to address these factors:

If it be askt, if the want of Money be not, what then is the reason, why he cannot get a price? I answer, it must proceed from one of these three Causes.

1. Either there is too much Corn and Cattel in the Country, so that most who come to Market have need of selling, as he hath, and few of buying: Or, 2. There wants the usual vent

²⁷ Sir Dudley North, Discourses Upon Trade, p. 24.

abroad, by Transportation, as in time of War, when Trade is unsafe, or not permitted. Or, 3. The Consumption fails, as when men by reason of Poverty, do not spend so much in their Houses as formerly they did; wherefore it is not the increase of specifick Money, which would at all advance the Farmers Goods, but the removal of any of these three Causes, which do truly keep down the Market.²⁸

International commerce is profitable to those who carry it on; otherwise, it would not occur. Traders buy cheap and sell dear; so it is also with the commerce in gold and silver:

Gold and Silver are in no sort different from other Commodities, but are taken from them who have Plenty, and carried to them who want, or desire them, with as good profit as other Merchandizes.²⁹

Laws which restrain commerce in money and bullion therefore restrain the profitability of trade, and some of the nation's potential for value-creation and commodity consumption is left unactualized:

Let a Law be made, and what is more, be observ'd, that no man whatsoever shall carry any Money out of a particular Town, County, or Division, with liberty to carry Goods of any sort: so that all the Money which every one brings with him, must be left behind, and none be carried out.

The consequence of this would be, that such Town, or County were cut off from the rest of the Nation; and no Man would dare to come to Market with his Money there; because he must buy, whether he likes or not: and on the other

²⁸Sir Dudley North, Discourses Upon Trade, pp. 24-25.

²⁹Sir Dudley North, Discourses Upon Trade, p. 25.

side, the People of that place could not go to other Markets as Buyers, but only as Sellers, being not permitted to carry any Money out with them.

Now would not such a Constitution as this, soon bring a Town or County to a miserable Condition, with respect to their Neighbours, who have free Commerce, whereby the Industrious gain from the slothful and luxurious part of Mankind? The Case is the same, if you extend your thought from a particular Nation, and the several Divisions, and Cities, with the Inhabitants in them, to the whole World, and the several Nations and Governments in it. And a Nation restrained in its Trade, of which Gold and Silver is a principal, if not an essential Branch, would suffer, and grow poor, as a particular place within a Country, as I have discoursed. A Nation in the World, as to Trade, is in all respects like a City in a Kingdom, or Family in a City.³⁰

Sumptuary laws are similarly inimical to the growth of trade, because natural profit-seeking is constrained, and because the full latitude of consumption is not actualized:

Countries which have sumptuary Laws, are generally poor; for when Men by those Laws are confin'd to a narrower Expence than otherwise they would be, they are at the same time discouraged from the Industry and Ingenuity which they would have employed in obtaining wherewithal to support them, in the full latitude of Expence they desire.

It is possible Families may be supported by such means, but then the growth of Wealth in the Nation is hindered; for that never thrives better,³¹ then when Riches are tost from hand to hand.

³⁰ Sir Dudley North, Discourses Upon Trade, pp. 26-27.

³¹ Sir Dudley North, Discourses Upon Trade, p. 27.

Individuals' natural wealth-seeking is the animus to the domestic and international volume of trade. Coined money simply serves as medium of exchange, unit of account, and standard of deferred payment, within this volume of trade; it also conveniently satisfies the demand for highly liquid assets:

I have toucht upon these matters concerning Trade, and Riches in general, because I conceive a true Notion of them, will correct many common Errors, and more especially conduce to the Proposition I chiefly aim to prove; which is, that Gold and Silver, and, out of them, Money are nothing but the Weights and Measures, by which Traffick is more conveniently carried on, then could be done without them: and also a proper Fund ³²for a surplusage of Stock to be deposited in.

A great volume of trade requires a great volume of coined money to transact it, and this volume of money is automatically brought into conjunction with trade, as a consequence of the profit-motives of the owners and traders of money:

It is not necessary absolutely to have a Mint for the making Money plenty, . . . for it hath been observed, that where no Mint were, Trade hath not wanted a full supply of Money; because if it be wanted, the Coyn of other Princes will become currant, as in Ireland, and the Plantations; so also in Turkey, where the Money of the Country is so minute, that it is inconvenient for great Payments; and therefore the Turkish Dominions are supplied by almost all the Coyns of Christendom, the same being currant there.

³²Sir Dudley North, Discourses Upon Trade, p. 28.

Thus it appears, that if you have no Mint whereby to increase your Money, yet if you are a rich People, and have Trade, you cannot want Specifick³³ Coyn, to serve your occasions in dealing.

There is required for carrying on the Trade of the Nation, a determinate Sum of Specific Money, which varies, and is sometimes more, sometimes less, as the Circumstances we are in requires. War time calls for more Money than time of Peace, because every one desires to keep some by him, to use upon Emergencies; not thinking it prudent to rely upon Moneys currant in dealing, as they do in times of Peace, when Payments are more certain.

This ebbing and flowing of Money, supplies and accommodates itself, without any aid of Politicians.³⁴

If money becomes superabundant, and bullion scarce, then to the extent that scarcity of bullion causes its market determined value per unit-weight to rise above that of money, money shall be melted into bullion at a profit:

. . . if Silver coyned and uncoyned bore the same rate, as it doth with us in England, where it is coyned at the Charge of the Publick, it will always be lyable frequently to be melted down, as I shall shew anon.³⁵

. . . if never so much be brought from abroad, or never so much coyned at home, all that is more than what the Commerce of the Nation requires, is but Bullion, and will be treated as such; and coyned Money, like wrought Plate at Second hand, shall sell but for the Intrinsick.

³³Sir Dudley North, Discourses Upon Trade, pp. 28-29.

³⁴Sir Dudley North, Discourses Upon Trade, pp. 35-36.

³⁵Sir Dudley North, Discourses Upon Trade, p. 23.

I call to witness the vast Sums that have been coyned in England, since the free Coynage was set up; What is become of it all? no body believes it to be in the Nation, and it cannot well be all transported, the Penalties for so doing being so great. The case is plain, it being exported, as I verily believe little of it is, the Melting-Pot devours all.

The rather, because that Practice is so easie, profitable, and safe from all possibility of being detected, as every one knows it is.

Silver and Gold, like other Commodities, have their ebbings and flowings: Upon the arrival of Quantities from Spain, the Mint commonly gives the best price; that is, coyned Silver, for uncoyned Silver, weight for weight. Wherefore is it carried into the Tower, and coyned? not long after there will come a demand for Bullion, to be Exported again: If there is none, but all happens to be in Coyn, What then? Melt it down again; there's no loss in it, for the Coyning cost the Owners nothing.

If the Merchant were made to pay the price of the Coynage, he would not have sent his Silver to the Tower without Consideration; and coyned Money would always keep a value above uncoyned Silver: which is now so far from being the case, that many times it is considerably under, and generally the King of Spain's Coyn here is worth One penny per Ounce more than our New Money.³⁶

For when Money grows scarce, and begins to be hoarded, then forthwith the Mint works, till the occasion be filled up again. And on the other side, when Peace brings out the Hoards, and Money abounds, the Mint not only ceaseth, but the overplus of Money will be presently melted down, either to supply the Home Trade, or for Transportation.

Thus the Buckets work alternately, when Money is scarce, Bullion is coyn'd; when Bullion is scarce, Money is melted. I do not allow that both should be scarce at one and the same time; for that is a state of Poverty, and will not be,

³⁶Sir Dudley North, Discourses Upon Trade, pp. 29-30.

till we³⁷ are exhausted, which is besides my subject.

Therefore, when a nation attempts to 'coin' its way out of a stagnation of trade, the coining activities of the state subsidize the goldsmiths' profit-motivated melting activities, because all money beyond that amount required to transact the existing volume of trade shall be treated as bullion, and melted at a profit.

Therefore, laws which restrain trade in any way whatsoever cause trade to stagnate, cause the money supply to contract, and cause interest to rise. The removal of such laws will cause trade to expand, money to become more plentiful, and interest to fall.

The Secular Trend. As a nation grows in productivity and wealth, it also accumulates a vast supply of precious metals and other highly liquid assets. Commodities come to exchange for greater amounts of money than they did in earlier times; the history of prices in England shows this unmistakably. Labor, as well, comes to exchange for more money than it did in previous ages, as does land. Further, the agreement to make a deferred payment comes to command more money in the present than used to be the case; that is, interest falls:

³⁷Sir Dudley North, Discourses Upon Trade, p. 36.

When a Nation is grown Rich, Gold, Silver, Jewels, and every thing useful, or desirable, (as I have already said) will be plentiful; and the Fruits of the Earth will purchase more of them, than before, when People were poorer: As a fat Oxe in former Ages, was not sold for more Shillings, than now Pounds. The like takes place in Labourers Wages, and every thing whatever; which confirms the Universal Maxim I have built upon, viz. That Plenty of any thing makes it cheap.

Therefore Gold and Silver being now plentiful, a Man hath much more of it for his labour, for his Corn, for his Cattle, &c. then could be had Five Hundred Years ago, when, as must be owned, there was not near so much by many parts as now.³⁸

Therefore, in the absense of trade prohibitions, usury laws, and sumptuary laws, the long term equilibrium state of the nation's volume of trade would be characterized by growth and wealth.

A Discourse of the Poor

Depopulation. Labor is the source of all value-creation in societies. The state's management of the incentive structure of the individual is therefore bound up with the wealth or poverty of the nation. People are most industrious when they have geographic mobility as buyers and sellers of factors and commodities, when they have wide latitude of discretion in all exchange transactions, and when their incomes are exclusively

³⁸Sir Dudley North, Discourses Upon Trade, p. 34.

dependent upon their own industriousness; that is, people are most industrious when they enjoy 'economic freedom' and must shift for themselves:

It will be easily granted that Plenty of People are the Source of Riches in a Nation. Estates are but as good Ore, meer Stone, without Art and Industry to extract the Metal. I wonder what Gentlemen expect to make of their Estates, if they can have neither Tenants nor Labourers; they must labour themselves, keep their Cattle company, and wear Sheep skins, as their British Forefathers did, if they cannot have, as now, Multitudes to go and come on their Errands, as well as work and sweat, as well here as in most Parts of the World, for them to raise Profits of Land, negotiate them abroad, and import Dainties to pamper and please with. These are they that cause Plenty, Wealth, Greatness, and all that makes a Nation be esteemed rich, safe, and happy.

Now a People are to be held or lost by the Management of them. They are free Agents, and industrious as Bees, to find out infinite meandrous Ways by themselves, every one according to his Mother Wit, for the obtaining the Materials of his own Subsistence and Convenience. And where they prosper, or (which is all one) believe they shall prosper and be safe, they will encrease and multiply; but, if they have no Opinion of future Successes, they decay, and, by Degrees, are, to that Place, lost; and the few Remains of them will be but such as live, like Irish, upon Herbs³⁹ and Milk, without Thought of Improvement.

However, the Poor Laws and Settlements Acts forbid most geographic mobility of labor and households. As a result of this, the mortality rate rises, and a general scarcity of labor develops:

³⁹ Roger North, A Discourse of the Poor, pp. 47-48.

No Art shall draw Pigeons so powerfully, as the Name of Liberty shall draw People to inhabit in any Place: And the visible Decay of People, in some Countries, is not, as many think, from Translation to other Places, but from wasting, and want of the Encrease which Nature, if encouraged, would give, to supply the old Stock which is always wearing off, and must be recruited. Convenience makes them settle, marry, procreate; Want of Convenience makes them scamper into adventurous Voyages and Projects, till, by War, Diseases, or the Gallows, they are cut off. . . . And in all Countries, the Signs of Depopulation are Symptoms of Ruin to the Public, as will farther appear.

As Liberty, or the Opinion of it, encreaseth, so the Contrary, Restraint, and in a most tender Point, that of Habitation, and chusing their Place and Way of Residence, diminisheth the Quantity of People every where.⁴⁰

Further, parish relief puts the burden of labor's subsistence onto the local community, and hence obviates the need to shift for one's self; this discourages industriousness:

Then surely it is a great Imprisonment, if not Slavery, to a poor Family, to be under such a Restraint, by Law, that they must always live in one Place, whether they have Friends, Kindred, Employment, or not, or however they might mend their Condition by removing: And all because they had the ill Luck to be born, or to have served or resided a certain Time there. Such Persons, if they had Spirits, have no Encouragement to aspire to better Condition; since, being born poor, and in a Place which gives no Means to be otherwise, they are not allowed to go and search it elsewhere, and, if they find it, they are not permitted to entertain it. Then their Spirits sink, and they fall into a sottish Way of living, depend upon

⁴⁰Roger North, A Discourse of the Poor, pp. 48-49.

the Parish who must, however wretchedly, maintain them.⁴¹

Migration into some of the larger cities is allowed, or at least cannot feasibly be prohibited; but the influx of large numbers of the unemployed into cities has caused urban districts of abject poverty to arise. Conditions within urban poverty districts are such that starvation, disease, infanticide, and other horrors conduce to the near-total atrophy of the potential for value-creation latent within this segment of the nation's supply of labor:

Some may say that, when People leave the Country Towns, it is but a Translation of them to Cities and other Places, and not a wasting of their Number. I grant that if you look to the Beginnings, and in single Instances, this may be true; for populous Places invite by the Society they have; and Men, that remove, are apt to go to such: But, if you look to the Consequence and Effect of such Removes, it will be found meer wasting; and that the Cities (London excepted) are not more populous than in former Ages. And so the Decay grows as well by Desertion as want of Encrease.⁴²

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I desire it may be observed that great Cities neither are nor can be so careful to keep out new Comers, as Country Villages are. For the great Numbers, already there, screen those that creep in on Pretence of Labour, or Trades, and so they lie concealed for many Years, and are, at length, settled. It is plain, from hence, that the City must, in Time, get all the

⁴¹Roger North, A Discourse of the Poor, pp. 49-50.

⁴²Roger North, A Discourse of the Poor, p. 51.

People, and, wherever⁴³ they are wanted, the Cities will have them.

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When Men are not allowed to settle and remove, as they fancy they may subsist with Comfort or Convenience, they will not encrease their Burthen by marrying, but keep themselves single; in which State they believe they can ramble and shift better. This hinders the Country of many a procreative Family, which would furnish out able and vigorous Constitutions for Husbandry or War. This makes Youth ramble to Cities, where they expect better Usage than at Home; and there match and settle if no Mortality, or Accident, overtaking, destroys them in the mean Time. That is a clear Loss of an able Body. But suppose they survive their Follies; and settle, and have Children; they live so poorly, and in Want of all that is wholesome for Life, live in Cellars, bad Diet, close packed, Want of Exercise, and, which is worse than all, the Rewards of unlawful Lust, which, with such People, is promiscuous, and, having no fitting Expedients, as the Rich have, sweep whole Shoals away, especially Children, of whom London is a Sepulchre. These Inconveniences, which the People find upon their Remove to the City, whereof they were not aware before, but thought all was Gold there, would incline them to seek out wholesome and Country Habitations, for the Sake of their Families, if the Laws would permit them; but they cannot do it for fear of being carted and whipt back again. And thus, in the City, they are heaped up in nasty Holes, and lie and infect each other with Diseases and Immoralities.⁴⁴

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And the Wenches, being poor and helpless, are tempted, and prove with Child, which either they (for Shame or Fear of Punishment) kill, or, for ever after, are desperate and shameless Prostitutes, never capable of happy living.⁴⁵

⁴³Roger North, A Discourse of the Poor, p. 52.

⁴⁴Roger North, A Discourse of the Poor, pp. 53-54.

⁴⁵Roger North, A Discourse of the Poor, p. 56.

Thus, the effects of the Poor Laws and Settlements Acts are that value-creation is hampered by the disincentive of poor relief, and that the total quantity of labor in the nation is diminished due to a higher mortality rate, thereby decreasing the nation's absolute potential for value-creation.

The enclosure movement has produced similar economic ill-effects:

It is another very great Destruction of People, as well as an Impediment to the Recruit of them, that Gentlemen, of late Years, have taken up an Humor of destroying their Tenements and Cottages, whereby they make it impossible that Mankind should inhabit upon their Estates. This is done sometimes bare-faced, because they harbour Poor that are a Charge to the Parish, and sometimes because the Charge of Repairing is great, and if an House be ruinous, they will not be at the Cost of rebuilding and repairing it, and cast their Lands into very great Farms, which are managed with less Housing: And oftimes for Improvement, as it is called; which is done by buying in all Freeholds, Copyholds, and Tenements that have Common, and which harboured very many husbandry and labouring Families; and then enclosing the Commons and Fields, turning the Managery from Tillage to Grazing.⁴⁶

Therefore, the removal of these laws would increase the productivity of labor, increase the total supply of labor, and extend the nation's absolute potential for value-creation:

⁴⁶Roger North, A Discourse of the Poor, pp. 57-58.

I may boldly affirm that if the Laws would permit People to remove into the Country for Affectation of Variety (which they, as well as Country Folks, are obnoxious to) or for Health, or Cheapness of Living; and to remain, where they found to settle, without Jealousy or Disturbance, Thousands of People would come from great Cities and Towns into Country Villages If he were allowed to remove from Town to Town, some would come and some go, as their Inclinations led them, and no Place would want. . . . the Laws are the Cause of this Mischief of People gathering to Cities. Which Cause removed, we should find the Constitution, in Respect of equal⁴⁷ Distribution of People, speedily mend of itself.

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If it were not for the Causes before hinted, the Plantations would not so much drain us of our People. If Men might plant at home to their Content, they would soon furnish People enough to plant the Indies; but, for Want of that, they are inclined to transplant themselves, and leave England deserted; because, there, they may marry and settle, as they please, without being whipt from Town to Town. And surely nothing inclines them more to go thither, than because they cannot move at home to any Place they think more propitious for them. If this were permitted, the Encrease might be so great as that we should be glad of the Plantations to take off the Superfaetation. What an Interest to the Nation would that be? Rome proves this: for it is observed that City never encreased more than when they sent out vast Colonies, and possessed most Provinces by them.⁴⁸

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[Further enclosures] . . . would not be if Men had Liberty to settle as they pleased. They would become Owners, and not Renters, of Houses, and have such as their own Labour might keep in Repair; and not live, as Renters, liable to be turned out upon the Parish; and they would not

⁴⁷ Roger North, A Discourse of the Poor, pp. 52-53.

⁴⁸ Roger North, A Discourse of the Poor, pp. 56-57.

sell their Tenements at any Rate, but in order to buy others, if they did not lean on that broken Reed, the Parish, to be kept when old.⁴⁹

Enhancing of Labor. For many years, the wage has been rising, and rent on land has been falling, almost in equal amounts. This has been most noticeable in agricultural regions, where labor is commonly so scarce as to be almost unobtainable at any wage. When the parish officers of these regions draft labor from other districts, the newly arrived workers find themselves in the perfect bargaining position to bid up the wage:

That of late Years, the Enhancing of Labour is one of the greatest Burthens the landed Interest of England hath groaned under, will be easily granted: For it is notorious that both Year and Day-Men's Wages are risen almost as much as the Profits of Land have fallen; and chiefly in the Tillage Countries, where the Labour of Men is absolutely necessary for carrying on the Husbandry of the Country; And, in some Places, Men are not to be had upon any Terms; but, with much Trouble and searching in remote Places, some are found and far fetched, and no sooner arrive, but find themselves so necessary, that they fall to imposing in Wages and Diet, as well as lazy Working

Nay, the Case is so perverse, that, when the Prices of Corn and Victuals were very low, so that Labourers might live at half Charge, yet they would not abate, but rather enhanced their Labour, and made the Ballance good by their Idleness the better half of their Time

For it is in this, as in all other mercantile Things. Prices are governed, not by Reason, or any thing intrinsic, but, by Advantages Men take of others Needs and

⁴⁹ Roger North, A Discourse of the Poor, p. 58.

Occasions, which are mostly influenced by Plenty and Scarcity. For if the Buyer stands in need of a Commodity, the Seller makes the Terms; if he be in more need to sell, the Buyer makes the Terms. It follows that Scarcity of People must make Labour and Servants Wages dear; for, there being much Work and few Hands in the Country, the Labourer will set the Dice, and cannot fail to understand his Advantage, for all will court and invite him to their Work, and overbid each other. And by how much Depopulation is the Effect of these Laws for the Poor, by so much are those Laws an Oppression of the Nation, by enhancing the Price of Labour, and corrupting the Industry of the Poor.⁵⁰

In fact, a high wage would diminish national output, ceteris paribus. An abnormally high wage is injurious to work incentives; the decay of work incentives erodes the productivity of labor; lower labor productivity causes a given quantity of labor to produce less output; therefore, a high wage can diminish the national output, even when the supply of labor is held constant:

This Mischief, I have been discoursing of, goes yet farther. For, granting we had People enough and to spare, the Price of Labour is such as they can make a good Living of two or three Days Work in a Week: And why more, say they? This provides Bread, Food, and Ale; if we are sick and old, &c. the Parish must provide for us

This works the same Mischief as want of People. For if the Poor slight, and do not press for Work, as it is plain very many do so; the Land Owners, Farmers, and Manufacturers must court and press them; which need not be done if the Poor had nothing to trust to for Life and Death but their Work; then the Consequence falls

⁵⁰ Roger North, A Discourse of the Poor, pp. 58-60.

to the Charge of these Laws, as hath been already at large discoursed.⁵¹

Further, these laws create local relative scarcities and gluts of labor, so that the symptoms of poverty are not ubiquitously spread throughout the nation; wherever there is a labor glut, there arises an atmosphere of oppression which breeds despair, and impairs work incentives further:

The Evil goes farther yet. In some Places there is little Work for the Poor, and in others a great deal. Where most Work is, there are fewest People, and e contra. In Norfolk, Suffolk and Essex, a Labourer hath Twelve-pence a Day; in Oxfordshire Eight-pence; in the North Six-pence, or less; and I have been credibly informed, that in Cornwal a poor Man will be thankful for Two-pence a Day and poor Diet: And the Value of Provisions, in all these Places, is much the same. Whence should the Difference proceed? Even from Plenty and Scarcity of Work and Men, which happens cross-grainedly, so that one cannot come to the other. If a Cornish Man comes into Norfolk, he hath a hard Journey back again with a Whip at his Tail; therefore he must content⁵² himself with a dead Loss of his Time at home.

Therefore, the laws which regulate labor have the effect of raising the wage and lowering the nation's output; and conversely, the removal of these laws would lower the wages of labor and raise output:

⁵¹Roger North, A Discourse of the Poor, pp. 60-61.

⁵²Roger North, A Discourse of the Poor, pp. 61-62.

Now if these Parish Laws were away, and Men put to their Shifts, to expect and know Want, and the Miseries of it, if they have not of their own to defend them, they will not be so jocund upon the Point of Sickness or old Age, but seriously apply to their Labour, and save all they can against such Visitation, that they may not perish. Parish Provision is a mere Subterfuge of Laziness and Debauchery in the common People. Were it not for that, few Men, though beforehand, would lose a Day's Work from their Store, and count upon their Labour as Money in their Coffers, and not willingly cast away the one more than the other.⁵³

For if Men have Limbs, the World is wide, and they may, without moving Habitation, find Employment, and ought to do it, else, they should starve and not be pitied. No Place is so barren but will employ Men, if they will conform their Wages to Occasions; for that will make Work, which cannot be done at so high Rates as usual. If Work be cheap, many Persons will undertake and enter upon great Designs for Pleasure and Improvement; but not touch upon it when dear. I mean here Gardening, Dressing, Clearing, Planting, Enclosing, &c. by which, as the Price of Work falls, Work will encrease; I am sure where I am concerned it will.⁵⁴

Fall of Lands. Since the Poor Laws and Settlements Acts have also immobilized laborers in their role as consumers, a concentrated network for the distribution of output has developed; a tier of brokers and traders interfaces producers and consumers. The tier of brokers constitutes a set of oligopsony buyers who pay producers

⁵³Roger North, A Discourse of the Poor, pp. 60-61.

⁵⁴Roger North, A Discourse of the Poor, p. 63.

low prices for agricultural commodities. As the wage rises, and agricultural prices fall, these factors have deleterious effects on the growth of the nation's agricultural product:

But, now, the Consumption of Corn fails for Want of People to eat it, and we live in Fear that it will grow a meer Drug, as in Poland, &c. The Reason is that, now, the Corn is raised all by great Farmers, who spend little, but send almost all to Market. And so it happens that those who come to the Market, come to sell, and few to buy; and that beats down the Price of Corn so low that⁵⁵ little Rent can be afforded for Tillage Ground.

If the demand for produce were more atomistic than it is under the influence of these laws, agricultural prices would be higher than they are, because an individual consumer's demand for grain, for example, is more price-inelastic than the demand of a large-scale trader in grain; this is due to the fact that the consumer's purchase is such a small proportion of of his income. However, the laws have fostered the evolution of oligopsony demand for produce, and this has driven down prices:

There is a great Difference between the Marketting of poor Men, for their Use, and of Merchants that trade abroad. The former will afford much better Prices than the latter Sort. They come for a little and a little, and therefore do not make Account of a small Matter in the Price of a small Parcel; and that is a

⁵⁵Roger North, A Discourse of the Poor, p. 67.

great Advantage to the Farmer who sells to many. But the Proceeding of Merchants is otherwise; for they beat down Prices to the least that is possible: For what is inconsiderable in a small Parcel, is Gain enough in the vast Quantities they trade in. And these are the People our Farmers now deal with, and they are pinched accordingly. . . . We find that poor Men care not for Excises, nor much for Prices, as I said, for it is little seen in their small Parcels. We see how much the Price of Ale and Beer is raised by the extravagant Excises upon it, yet the Poor, in many Places, and particularly about London, use none but Alehouse Drink, and have their Bread and Cheese from Trades that live well by making and parcelling it out to the Poor. If this way of dealing went through the Nation, as would be if the Kingdom were populous as formerly, the landed Interest would have the Advantage universally, as paltry chanling Trades have about London;⁵⁶ but the contrary is, for Want of People, true.

As an agricultural price received by farmers and landlords declines, and the wage-component of that price rises, the rent-component is thereby eroded:

If the Value of the Product sinks, and the Price of the Labour, necessary to the raising of it, riseth, what hath the Owner? It is, in truth, a Loss of his Land, and transferring of it to maintain poor People, that⁵⁷ labour, according to their Pleasure and Humour.

As rent falls, agricultural production is withdrawn from the less arable land, and this marginal land often lies idle; as a result, tenant farmers are pushed off marginal land, and become unemployed:

⁵⁶ Roger North, A Discourse of the Poor, pp. 67-68.

⁵⁷ Roger North, A Discourse of the Poor, p. 59.

Those who have been curious to observe either the lying of Grounds about many Villages in the Country, or the Evidences of Title far back, shall find vast Depopulations, not ordinarily thought of, or imagined possible to be. For, in some, one may see the very Vestigia of Streets, Houses, Outhouses, Pightles, and such home-stall Conveniences, even Wells scattered at large Distances from any present Dwelling. And in the Title, when old Deeds have been preserved (useful only for the Curiosity of ancient Things) one shall find vast Numbers of small Parchment Deeds, being Feoffments, and Releases to Houses, Cottages, Tenements, and scattered small Pieces of Land in the Fields of the Town, where, now, perhaps, lives only one Shepherd, or Farmer, under some single Proprietor. And, of all that Arable and Fields, little is to be found, except the Footsteps of the Plough, which all Places shew, though no Memory extends to any Ploughing there. But all is Pasture, or Sheep-walk, which, formerly, was common-field, and cultivated by poor People to ultimate Improvement. This demonstrates that the Want of Inhabitants hath depreciated the very Land of England: For if a poor Man was Owner of a Tenement and a few Acres, he had an Employment, as well as Maintenance, out of it for himself and Family; and all the Manure he could make, rap, or rend, was laid on to fight against natural Sterility; which, besides his perpetual Industry in tilling, weeding, and dressing it, made it always in good Condition for Crops, of which he seldom failed.

But, now, great Farmers undertake all; and if Land be not naturally, or, at least, in some Measure, fertile, so that, in the common Proceeding of gross Husbandry, it will bear ordinary and moderate Crops, it is thrown up to Heath or Waste, and used to the lazy Pofit of Sheep only; for it would break him to use it as a poor Man doth his Acre, and pay for all the Labour, perfunctory at best, and at the Price current: And, so doing, no Product could recompence it. So Farmers, for Want of cheap Work, must turn into Methods which have least

Charge, and that is Grazing; which is the Destruction of Mankind.⁵⁸

The laws aimed at the regulation of labor therefore have the effects of lowering agricultural prices and rent, and of diminishing the volume of agricultural production and employment:

It is plain enough that this Disadvantage, at present, lies upon the Husbandry of the Nation, and almost confounds it, so that neither the Landlord nor Tenant knows how to carry on his Work.⁵⁹

Therefore, the removal of these laws would increase agricultural prices and rent on land; from increased prices and rent, and from lower wages, would spring increased agricultural production and employment, as a natural consequence of the profit-motives of farmers and landlords:

And if poor Men were left to shift, they would soon fall into a Way of Tenements and Lands of their own Purchase, and encrease and multiply their Families and every Thing else useful to the Nation. But it seems the Policy of our Laws are in the Way, and hinder it.

The Scarcity of Tenants, which proceeds from Want of People in general, makes Gentlemen perpetually depopulate their Towns more and more, and so precipitate their own Confusion; for they think to contract their Trouble and Charge by contracting their Farms. But I hope they begin to see their Error, and will, in Time, alter their Policy, and believe it their Interest to encrease Housing, and divide Farms:

⁵⁸ Roger North, A Discourse of the Poor, pp. 65-66.

⁵⁹ Roger North, A Discourse of the Poor, p. 59.

For great Farms require great Stocks; and few Countrymen, not Land-Owners, (who can mortgage) can raise such Sums as are requisite. And, after all, if Men are not Owners of their Stocks, Rent and Interest together bears so hard, that, there must be very good Fortune, as well as Industry, to escape being undone.

It is found that Men will launch into Adventure, upon a great Farm, upon borrowed Stock, and trust much to good Fortune for Success; and if that (as often) fails of the Measure expected, then they become Rent run, as they call it, beyond Hopes of clearing. The Consequence of which is a merry Life and a short one; Why should he drudge for his Landlord who must take all at last? All he eats and drinks, is his own; and he plies it accordingly, until, at length, his Landlord is glad to get him out of his Farm, and is loth to lay him in Jail, that can never pay; and so he hath enjoyed his Farm at an easy Rent.

But, when Farms are small, the Stock is inconsiderable, and meer Labour of the Family will raise Rent, whilst they live upon the Product. And such are not incumbered with much Charge, which is all issued in quick Money to Labourers that are the Pest and Ruin of Country Business; but the poor Family spare Time to plough, sow, weed, &c. and all they sell is their own.

There is more yet. If there be Plenty of People, a Man cannot want Tenants; for they will contrive to live in their own Tenements, and be always hiring Parcels one after another, as their Stock encreaseth, to fill up their Employment. And such, as live, and have Estates, in, or near populous Towns and Cities, find the Convenience of this Plenty; which makes such Estates sell for much more than others.⁶⁰

Decay of Trade. Manufacturing activities are also stultified by the laws which regulate labor. An

⁶⁰ Roger North, A Discourse of the Poor, pp. 68-70.

individual firm exhibits a life-cycle which is linked to the life of its entrepreneur; the typical firm may not survive the death of its founder. However, the industry as a whole continues, as new firms spring up elsewhere, in a sense replacing the old firm which has ceased to operate. The laws which forbid geographic mobility of labor preclude the skilled work force of the defunct firm from migrating to the new firms. Thus, local and regional scarcities of manufacturing skills arise, and the wages of skilled labor rise, thereby driving down manufacturing profits:

It may be objected that, finding Work doth not mend the Matter so as to ease Parishes; for what Towns are fuller of Poor and Rates higher than such as Colchester, that have the greatest Manufactures established in them.

I answer that it is too true; such Places are oppressed by Poor; but it grows out of the Midst of these Laws: For the Men will not follow Work so close as they might, but are lazy, depending upon the Parish

But the grand Reason why Manufacture Towns are full of Poor, is the Fall, or Removing of the Work the Place hath depended on; and, then, the Burthen of all the Workfolks falls on the Parish. There are not a few Instances of this Case in England. For one single Man, who is an industrious Undertaker, hath kept a Manufacture alive; and when he died, or was disabled, the Manufacture, for want of his Spirit, Purse, and Conduct, hath sunk. Not that it must be so universally; but some others, of like Activity, spring up in other Places, and set the Manufacture a going near them; and so it migrates from Place to Place, as the Industry of Persons inspires and gives Life to it. But since the People cannot follow, if there be never so much Need of their Help in the Work, on the one Side, nor however hard the Case is to

the Poor, as well as the Parishes, on the other Side, the Case is very unreasonable: And a Stranger, made acquainted with our Constitution, would, in this Instance, think us bewitched, and our Parliament, with Reverence be it spoken, asleep. So as Men want the Work, and the Work Men, and are, by Laws, kept from accommodating each other; but the Parishes are put to feed Families that have not Employ, and the Poor, that are not troublesome to get that, starve.⁶¹

Therefore, laws which regulate labor have the effect of lowering manufacturing profits, and of diminishing production and employment in manufacturing activities; and their removal would increase profit, production, and employment in this sector of the economy.

Increase of Poor. As production in agriculture and manufacturing declines, the volume of trade and employment in the nation declines. As the volume of trade and employment declines, the current system of poor relief widens and grows; the incentive structure of labor is thereby corrupted, and production and employment stagnate. Stagnation and poverty become the normal state of affairs; they become the equilibrium state of the economy, within the existing legal framework.

Therefore, the removal of the laws regulating labor would reinforce work incentives, increase labor productivity, and expand the labor supply. As prices

⁶¹Roger North, A Discourse of the Poor, pp. 75-76.

rose, the wage would fall, and rent and profit would rise. These changes would have the effect of bringing more land under cultivation, and of expanding manufacturing activities. As the volume of trade and employment thereby expanded, the volume of money in the nation would expand also, and interest would fall. Falling interest would further stimulate both the aristocratic consumption of luxuries, and international trade. Growth and wealth would become the equilibrium state of the economy:

And, before the making of them, it doth not appear that England was poorer than now, or than other Countries; but that was a Time of Peace, flourishing in Trade and Riches, by Manufactures encreased. Nor doth it appear that, then, Men were less charitable and humane to the Poor than in other Places. And I do not know of any Country or Place, either Christian or other, where there is any Law like this. And though Provisions are not so plentiful in foreign Parts as here, yet it cannot be said that the Poor starve any where. And if this Law were removed, whereby the same Necessity would arise, which, in former Times, and in other Countries, puts Men upon finding out industrious Ways of subsisting, we should find the like Effect of it. Families would foresee Old Age, and Casualties that might happen, or Sickness, Fire, &c, combine in Manufactures, as the wiser Sort do now; depend on their Labour, and not rest satisfied without saving somewhat to keep them in such Cases. They would have Houses of their own, purchase small Parcels of Land, and cultivate them to the Height of Improvement.⁶²

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 . . . But, were these compulsory Laws for the Poor taken off, we should see the Effects of discharging a pretended Interest, and there

⁶²Roger North, A Discourse of the Poor, p. 38.

would be as much Industry to bring People together,⁶³ as now there is to keep them asunder.

Now what an Ease were it for the industrious Part of Mankind, if they might transplant themselves where their Labours would yield most? It would balance the Work of the Nation, and bring Prices to a Standard with Respect to all Circumstances of living. It would dissolve all those exacting Advantages that Men take against each other, and make a fair Market of Works. It would find Employment for such as desire and, now, cannot come at it; and mightily help the Sort of Men, we call Undertakers, who are very instrumental in the Public by advancing Manufactures.⁶⁴

And let it be a Note, universally true, that all the Labour of poor Men is Profit and Encrease to the Public; for it fetches, or, rather, creates Value out of nothing; or what would not ever exist without the Application of his Pains.⁶⁵

How easy it were to remove whole Families into depopulated Places, and institute, by their Labour, a profitable Employ, either in the Way of Husbandry, or Manufacture? And Places, over-peopled, would gladly discharge Colonies, and all the Advantage that is gained this Way, would be, as Land gained from the Sea, clear to himself and the Public.⁶⁶

It is a common Saying, So long as we have Labourers enough to do our Work, what Need is there of more?

There is great Fallacy in this Speech, common as it is; for is it all one to have Work done cheap or dear? If few be enough, those few

⁶³Roger North, A Discourse of the Poor, p. 56.

⁶⁴Roger North, A Discourse of the Poor, p. 62.

⁶⁵Roger North, A Discourse of the Poor, p. 66.

⁶⁶Roger North, A Discourse of the Poor, pp. 70-71.

are Masters, and set what Value upon themselves they please: While, if there be many Labourers, Labour will be cheaper, which is so much added to the Profit of Land; and the Poor live as well, or better, being so much more industrious. And, if there be no Work, they will contrive, and find it by some Manufacture, or small Farms, for which they will give great Rents, to ensure their Time shall not be lost.

And, rather than be idle, they will invite Employment to themselves, by undertaking great Jobbs, at certain Rates, either in Husbandry or Improvement, or else in Gentlemen's Gardens or Parks, planting or embellishing; all which is Addition to the public Wealth. And much, of that Sort, would be done, if there were Undertakers, which none will venture upon at Day-Work It is a strange Blindness to esteem Numbers of People a Burthen, when so much Good comes from them; their very Eating and Drinking is a profitable Consumption of our Country's Product, and their Labour ⁶⁷ is sowing Riches for the Public to reap

The Assessment of North's Achievement

It is true that Dudley North was visibly active in English politics, approximately from 1682 through 1688, and it is probably equally as true that Discourses Upon Trade was first drafted in recognizable form around 1685, as Letwin has hypothesized. At that time, Dudley North still entertained hopes of directly influencing Parliament, through open debate in the House of Commons, to reject trade-restraints and interest-controls, and to

⁶⁷Roger North, A Discourse of the Poor, pp. 77-78.

abandon the Poor Laws and Settlements Acts; and the bulk of Discourses Upon Trade does seem to be concerned with interest, coinage, and trade--the political concerns of the "perfect merchant." Letwin concludes from these considerations that North's economics did not spring from the same scientific animus as that underlying, for example, the economic writings of Sir William Petty. Letwin argues that Petty's contributions to economics were born of true scientific curiosity, rather than being primarily politically motivated; Petty was a highly regarded member of the Royal Society of scientific thinkers, and he took very seriously the Society's edict to count, weigh, and measure everything susceptible. North, however, was uneducated in and uncaring of science, according to Letwin, and therefore was not primarily motivated to write economics out of pure scientific curiosity; North's economics was born of particular political exigencies, rather than of general scientific habit.

Letwin's assessment of North's achievement is open to doubt. It may be an artificial distinction that North entertained hopes of political influence--so has virtually every other economist in the history of economics, including (especially) the great innovating economists. Therefore, Letwin's argument on this point seems to come

to rest upon the fact that North was a merchant who aspired to political persuasion on mercantile matters. This distinction, if true, could reasonably set North apart from Petty, for instance, as regards motivation, because it is difficult, if not in fact inaccurate, to characterize Petty as having been a man of any one narrowly defined talent; Petty was "a man of many varied talents and a few great accomplishments."⁶⁸ Petty was not a merchant. He was certainly better schooled than was Dudley North. Letwin quotes Petty as saying that

. . . 'at the full age of fifteen years I had obtained the Latin, Greek and French tongues, the whole body of common arithmetic, the practical geometry and astronomy conducing to navigation, dialling, etc. with the knowledge of several mathematical trades'⁶⁹

Petty was also a medical doctor, and in pursuing his medical education,

. . . Hobbes and Petty did meet. It seems likely that through Hobbes, Petty met also the scientific circle that met periodically in the cell of the friar, Morin Mersenne, the circle that included Descartes, Fermat, Pascal and Gassendi, and which met to discuss the latest theories and experiments in natural philosophy.

From these beginnings Petty's acquaintance in the⁷⁰ highest scientific circles grew quickly.

⁶⁸Letwin, Origins, p. 123.

⁶⁹Letwin, Origins, p. 124.

⁷⁰Letwin, Origins, p. 125.

Petty was drawn into the Invisible College, which later became the Royal Society. While still a young man, Petty had received the highest academic accolades society had to offer.⁷¹ In comparison to such a successful and scientific scholar as Sir William Petty, Dudley North does indeed seem to be little more than a politically motivated "perfect merchant," if one is willing to accept Letwin's biographical sketch of North as being accurate and complete, and if one accepts Letwin's limited synopsis of North's economics. However, that Letwin has erred in the construction of these foundations, has already been shown.

It is possible to utilize the available evidence so as to argue that North was a much more accomplished virtuoso than Letwin has portrayed him to be; such an argument has already been outlined earlier. Throughout the remainder of this work, more of the details of that argument will gradually fall into place; but it has already been indicated that North possessed scientific curiosity and habit in sufficient degree to rebut this aspect of Letwin's assessment of North's achievement.

North was a scientific thinker who argued for far more than a few specific policies. The relevant distinction between a theoretical economist and a mere

⁷¹Letwin, Origins, pp. 126-127.

advocate of economic policy, when both utilize the scientific method, is that the former has a vision of the ideal economy and society, which is evidenced in his holistic economic analysis. The economist and the advocate both make policy recommendations to governments. The advocate argues that some specific policies are the means to a few particular mercantile and economic goals; but the economist argues for a general evolution to an ideal institutional configuration of the future. This is exactly what Sir Dudley North did. Sir Dudley North was an economist--the first scientific economist.

Summary

The economic principles of Sir Dudley North have laid disassembled for very nearly three centuries, but they are now finally reconstructed to their holism. North invented the first scientific ideological conceptualization of the economic system of the world, and vision of its future. It is fitting that North's invention of scientific economics keeps contemporaneous company with the inventions of physics and chemistry. Although North failed to establish a paradigm, the birth of science did not bypass economics. The same Scientific Revolution which spawned Descartes, Newton, and Boyle, also produced a "Superfaetation" in Sir Dudley North.

CHAPTER III
FOUNDATIONS FOR SIR DUDLEY'S
FORMAL ANALYSIS

Why did Sir Dudley build his particular model and theories? In what kind of intellectual foundation were his analyses rooted? Joseph Schumpeter's notions of the origins of economic models and theories may provide the beginning of an answer to these questions.

According to Schumpeter, the particular analytical tools forged by a given would-be innovator of new theories are anchored in a "prescientific"¹ or "preanalytic" foundation that "supplies the raw material for the analytic effort."²

The pretheoretical foundation developed by Sir Dudley consists of two parts. In the first place, this foundation contains the motivational basis, or the trigger mechanism, for his inquiries into economic structures and processes. This part may therefore simply be called Sir Dudley's incentive, or inducement, to pursue his analyses. These analyses pertain to some sort of universe, of course, namely the economic actuality with which he was

¹Joseph A. Schumpeter, "Science and Ideology," The American Economic Review 34 (March 1949):350.

²Schumpeter, History of Economic Analysis, p. 41.

familiar. But such an actuality could not be known to him in the same way as natural objects were "known" to him.³ Hence, like any other would-be innovator, Sir Dudley substituted his own, personally devised and, therefore, personally known reality for the essentially unknowable actuality. This reality may be termed Sir Dudley's "conceptualized reality," because "it consists of 'constructs' shaped . . . [in and by his own] 'mind' in such a manner that they form a 'conception of the world'."⁴

Inducement to Analyze

Why did Sir Dudley decide to become an architect of economic models and theories? Were his inducements similar to those that moved Adam Smith, Alfred Marshall, and John Maynard Keynes to craft their novel economic analyses? That is, was Sir Dudley a "'do-gooder,' identifying the things that the world needs most to have done and using all his brains and persuasion to get them done," as Sir Austin Robinson has put it with special

³Hans E. Jensen, "J. M. Keynes as a Marshallian," Journal of Economic Issues 17 (March 1983):69.

⁴Jensen, "Social Economics of J. M. Keynes," p. 77.

reference to Keynes?⁵ In other words, did Sir Dudley believe that the "goal of social betterment must be held ever in sight, [and that] his own special task is not to stand in the forefront of attack, but patiently behind the lines to prepare the armament of knowledge"?⁶ Or was he motivated by a desire to satisfy what Thorstein Veblen called "an idle curiosity--'idle' in the sense that a knowledge of things is sought, apart from any ulterior use of the knowledge so gained"?⁷ In short, was Sir Dudley desirous of only one thing, namely "to pursue and master purely scientific truths"?⁸

Scrutiny of his writings for motives indicates that Sir Dudley North was certainly not a 'do-gooder.' There are no indications in the writings of Sir Dudley that his inquiries were inspired by a Marshalllesque

⁵Sir Austin Robinson, "A Personal View," contained in Essays on John Maynard Keynes, edited by Milo Keynes, Cambridge University Press, Cambridge, 1975; p. 22.

⁶Arthur C. Pigou, "In Memoriam: Alfred Marshall," contained in Memorials of Alfred Marshall, edited by A. C. Pigou, Macmillan and Company, London, 1925; p. 84.

⁷Thorstein Veblen, The Higher Learning in America, Sagamore Press, New York, 1957; p. 4.

⁸Leon Walras, Elements of Pure Economics, translated by William Jaffe, Richard D. Irwin, Homewood, Illinois, 1954; p. 52.

desire to contribute to "increases [in] the sum total of human happiness."⁹ Rather, it seems that he was motivated by an idle curiosity that was even idler than that with which Veblen operated. That is to say, it appears that Sir Dudley constructed his economic analyses, not in order to gain knowledge for its own sake, but for the much more limited purpose of deriving intellectual satisfaction from the solution of economic-theoretical "puzzles."¹⁰

This propensity to engage in puzzle-solving activities in the realm of economic phenomena was an outgrowth, or consequence, of Sir Dudley's preoccupation with the natural and mechanical sciences. He had become exposed to, and interested in, these fields in the course of his very extensive self-education. Thus in addition to being fluent in several foreign languages, he had acquired a solid fund of knowledge of pure and applied mathematics.¹¹ His mastery of the natural sciences was extraordinary. Through his entire adult life, he was

⁹Alfred Marshall, "Lecture 3. Remedies for Poverty: Is Nationalisation of Land a Remedy?" in George J. Stigler, "Alfred Marshall's Lectures on Progress and Poverty," The Journal of Law and Economics 12 (April 1969):208.

¹⁰Kuhn, Scientific Revolutions, p. 36.

¹¹Roger North, The Lives, 2:341-342, 373-374; 3:40, 93, 145.

obsessed with physics and chemistry and he was a tireless experimenter in these fields.¹² Consequently, he cluttered his house with experimental apparatus, mechanical devices and all kinds of inventions. Moreover, he had a life-long interest in architectural theory and practice. This is evidenced by the fact that he filled numerous essays and letters with descriptions of the materials, methods, and modes of construction in Archangel, Leghorn, Pisa, Florence, Smyrna, and Constantinople.¹³ He was particularly intrigued by that part of architectural theory that dealt with the mathematical physics of force-vectors in equilibrium.¹⁴

Given his habit of thinking in scientific terms, once Sir Dudley became exposed to the various types of economic activity that he encountered in Turkey, it was well nigh unavoidable that he should conceive of these phenomena as puzzles a la those with which he was familiar in the natural, mechanical, and architectural sciences. It is no

¹²Roger North, The Lives, 3:201-219.

¹³Roger North, The Lives, 2:302-351.

¹⁴For example, he analyzed the distribution of forces in certain arches utilized by Sir Christopher Wren in the construction of St. Paul's Cathedral in London. Sir Dudley observed "that the great arches at the floor of St. Paul's, after the centers were struck, fell in twice; and he was much puzzled to find out the reason of it; which he did." Roger North, The Lives, 3:208-210.

wonder, therefore, that the economic arena attracted him like a magnet. Thus it was this domain's promise of becoming a new, fresh, and exciting source of satisfaction for his idle curiosity that induced Sir Dudley to become a practitioner of abstract economic analysis.

Sources for Sir Dudley's
Conceptualized Reality

As mentioned above, the universe which Sir Dudley analyzed in model terms may be labeled his conceptualized reality. To be more specific, this reality may be defined as "an experientially conditioned, subjectively conceived, factually structured, and mentally formulated approximation to, or image of (and [hence] a proxy for), the actual socioeconomic order" of the society in which Sir Dudley lived when he crafted his model and theories.¹⁵

Although he used a variety of inputs in the mental process in which he conceptualized his reality, the ingredients used for this purpose by Sir Dudley may be divided into three broad categories: theoretical propositions; historical elements; and data pertaining to the current economic scene.

¹⁵Jensen, "Keynes as a Marshallian," p. 70.

Theoretical Propositions

For the most part, the theoretical inputs employed by Sir Dudley were those principles and propositions of the natural and mechanical sciences with which he was intimately familiar. Thus these scientific principles played a dual role in his economics. In the first place, they provided him with an incentive to undertake his economic inquiries, as explained above. Secondly, these very same principles and theories served him as a means for translating data into facts. That is to say, what appear as facts in Sir Dudley's reality are the forms and shapes that his chosen historical and empirical data assumed when he saw them through the "selecting grid" of his scientific theories and principles.¹⁶ In other words, the facts of Sir Dudley's conceptualized reality were "not 'given' but . . . 'contrived' [by him] with the inevitable help of concepts," concepts that he derived from his scientific theories, principles, and propositions.¹⁷

Sir Dudley was a virtuoso who never tired of examining theoretical propositions, by means of performing

¹⁶Werner Stark, The Sociology of Knowledge, Routledge and Kegan Paul, London, 1958; p. 108.

¹⁷Robert K. Merton, Social Theory and Social Structure, The Free Press, Glencoe, Illinois, 1949; p. 370.

experiments. Utilizing a self-constructed barometer and a telescope, he performed an experiment relating differentials in barometric pressure to differentials in the event-horizon looking out to sea, as compared to the known true geographical horizon:

"We have a castle here, which stands by the sea-side, on a point of land about three leagues from the town; and usually it is most plain to be seen; but sometimes, in thick weather, it is not discernible by any man that stands upon the ground, yet mounting a few steps, it may be seen: and by this we judge how thick the air is; for in the thicker air you must mount so much higher to see it. This I allege, to disprove the reason given for the sun's absence a-low, and appearance upon the top-mast head, to be the solid earth or water, from the convexity interposing; for that is always the same, and cannot change with every weather. This is an excellent place for experiments of this kind; for we perfectly know the distance of ships from us, by land-marks, which of necessity they must pass; and a small matter of thickness or clearness of the weather, makes so much difference, that we judge it by how much we can see of a ship, when she is at such or such a place: and, with help of glasses, we shall only see a ship's two top-sails, when, in clear weather, we shall see her low sails also."¹⁸

It is worthy of note that this experiment of North's is a physical analog of his later derivations of tax elasticities of revenue, since it compares functionally related differentials.

¹⁸Sir Dudley North, "Remarks from Smyrna," contained in Roger North, The Lives, 2:343-344.

North's daily activities constantly suggested experiments to him. On his final voyage back to England, he spent much time overseeing the navigation of the ship, cross-checking all of the captain's observations and navigation-tables calculations with the astronomical model upon which those tables were based.¹⁹ As he later told Roger, "By G--, . . . I'll be admiral."²⁰ This he did merely to pass the time enjoyably, and he found here, as he found in his economics, normal people performing normal activities unaware of the natural mechanics which orchestrated them:

. . . captains perform all this work mechanically, by the help of tables, out of which they extract all their sums: and, for doing it, they have a rule; but act without any notion, or idea, of the²¹ truth of that, which they are at work upon.

Much the same comment can be made of North's economic constructs: peoples' unrestrained economic behavior is automatically institutionalized into mechanical tautologies of which they are not and need not be aware.

On this same voyage, he also conducted a series of experiments with respect to depth pressure, and concluded that

¹⁹Roger North, The Lives, 3:91-92.

²⁰Roger North, The Lives, 3:220.

²¹Roger North, The Lives, 3:91-92.

These experiments demonstrate the weight of fluids, as of other bodies, according to quantity, which is gauged by the perpendicular.²²

North's awareness of the mathematical relations of physical mechanics seems to have been an analog-basis upon which he stylized his economic constructs.

North's senses of taxonomy, functional relation, and the general form of predictive modeling are apparent early during his stay in Smyrna. He witnessed an earthquake from a peculiarly thought-provoking vantage point, formulated a predictive hypothesis, and tested it:

He was once in a turret, above the tiles of the house; and there, by the rattling of the tiles of the houses on the one side of him, he perceived an earthquake coming, and took peculiar notice of it: it rattled the tiles of all the houses as it came along; and, where he was, it ruffled his clothes, and rattled the tiles there; and so went on in a line progressively, rattling the tiles, till he perceived it plainly gone beyond the city. And taking notice how its course bore, by his correspondences from cities that lay in the line of its course, as near as he could judge, accounts were had, that earthquakes had been in those parts, as might²³ have well been the continuation of this.

Notice that North's predictive hypothesis about the continuation of the earthquake is a direct physical analog of economic forecasting based on known data.

²²Roger North, The Lives, 3:93-94.

²³Roger North, The Lives, 2:358-359.

The process by which North taxonomized and functionally interrelated the perceived fact matrix so as to posit internally consistent economic theories and models may have been conceptually similar to his topographic mapping of Constantinople, which appears to have been no simple problem involving the algebraic relations of solid trigonometry:

Our merchant had then residing with him a virtuoso, who was a good mathematician and draughtsman; and they together concerted a design of making an exact plan of the city of Constantinople, and carried it on till it came very near being completed. They took the liberty of measuring in the street a distance between two stations, which were two of their mosque towers, from which their priests cry to prayers; and, with a theodolite, they took certain angles at the corners of streets. And, in order to find the position and distances of all the towers and remarkable places, they went up the two towers they had chose, and made their stations; and there, with the same instrument, marked the angles of each view by the bearings of every one of those places, and set off the same, upon a large paper, by lines; and then the proper intersections gave the true position of them all, in just proportion, according as the practice of such method is commonly directed. And then they fell to mapping the streets, partly, by the guidance of those views, and, partly, by other observations.²⁴

It was no coincidence that Dudley North developed tautologically rigorous and internally consistent mechanics of economic behavior. Algebra, geometry,

²⁴Roger North, The Lives, 3:40-41.

trigonometry, and physical analogs, were the continuous systematizers of his economic data matrix. North treated his daily life as a continuous laboratorial experience.

Sir Dudley's view of human nature may also be treated as a set of theoretical propositions with which he structured his data. Sir Dudley entertained no serious notions of human equality; thus he was a slave owner, and occasionally, a slave trader. The economic content of this bias takes the form of his belief that people have differing talents and abilities; some are "active . . . [and] prudent," some "sluggish Drones."²⁵ Men have "exorbitant Appetites."²⁶ Man's consumption behavior is conditioned by considerations of "State and Honour," and by "Vanity . . . [and] false Measures as to himself."²⁷ Riches induce emulation.²⁸ People are "industrious as Bees," given conducive institutional arrangements.²⁹ Peoples' economic behavior is also

²⁵Sir Dudley North, Discourses Upon Trade, p. 25.

²⁶Sir Dudley North, Discourses Upon Trade, p. 27.

²⁷Sir Dudley North, Discourses Upon Trade, pp. 19, 28.

²⁸Sir Dudley North, Discourses Upon Trade, p. 27.

²⁹Roger North, A Discourse of the Poor, pp. 47-48.

conditioned by their expectations of the future, and by precaution against unforeseen eventualities.³⁰

Historical Elements

One of the reasons that Sir Dudley was capable of functioning in the role of a would-be builder of an economic paradigm was that he was an historian in addition to being a student of the natural and mechanical sciences. Thus he wrote essays on Ottoman and English history.³¹ In particular, he was an astute student of the history of the Levant Company and of the historical evolution of monetary systems and market institutions in Turkey.

It might be said that Dudley North was the right man in the right place at the right time, because it was in the late 1650s that technological, commercial,

³⁰Sir Dudley North, Discourses Upon Trade, pp. 24-25, 35-36; and Roger North, A Discourse of the Poor, pp. 38, 60-61.

³¹Sir Dudley North, "A Relation of Divers Turkish Avantias, Since the Government of Cara Mustapha, Vizier Azem," contained in Roger North, The Lives, 2:427-475; 3:1-9. Also "An Account of the Misteria Priviledge in Turkey," contained in Roger North, The Lives, 3:9-12. Also "Some Passages Since the Cutting Off Cara Mustapha, and His Ill Management of the Hungarian War," contained in Roger North, The Lives, 3:12-14. Also "Memorandums of Some Things that Passed in the Transactions at Adrianople, 1675, when Sir John Finch had His Audience of the Grand Signor, and Renewed the Capitulations," contained in Roger North, The Lives, 3:14-34. Also "Voyage from Smyrna, with an Account of Tunis, Containing Matters Little Known in Europe," contained in Roger North, The Lives, 3:78-90.

geo-political and economic factors conduced to the formation of a large international market for specie and monies in Turkey. During the early 1660s, while North was still a relatively unsuccessful novice trader in Smyrna, these markets in Turkey underwent what may be termed in retrospect a 'textbook' display of international specie-flow and money-flow equilibration mechanics, the repercussions of which are known to have been perceived by North; furthermore, he believed that this equilibration had been felt throughout all the major specie and money centers of Europe. North followed the development of this equilibration dynamic with keen interest.

Sir Dudley seems to have had some knowledge base in the history of money. The monetary systems of Europe and the Mid-East were relatively rudimentary until approximately the twelfth century.³² Silver coins existed primarily in small denominations, and were generally not highly fungible with respect to larger coins.³³ From the twelfth century onward, the emergence of economically significant quantities of large silver and gold coins seems to have originated in the eastern Mediterranean

³²Carlo M. Cipolla, Before the Industrial Revolution: European Society and Economy, 1000-1700, Second Edition, W. W. Norton & Company, Inc., New York, 1980; p. 199.

³³Cipolla, Before the Revolution, p. 199.

trade nexus, from Genoa, Florence, and Venice.³⁴ In the thirteenth and fourteenth centuries, more and more states began to mint large denominations in pure silver and pure gold.³⁵ By the fifteenth century, although the Ottoman state still minted only small silver pennies, all European countries had complex monetary systems, consisting of coins of several metals and denominations. Many of the larger coins were highly fungible with respect to each other, but it was still true that the smaller denominations were not generally fungible.³⁶ The Spanish reale, a relatively large silver denomination, was a hammered coin, and though pure, was highly irregular and therefore not highly fungible with respect to other large denominations. Some of the large denominations of other nations, however, were milled instead of hammered, and were very uniform and highly fungible, such as the gold florin of Florence and the gold ducat of Venice, and such coins became the predominant monies for purposes of international trade.³⁷ It is readily apparent from his early writings that North had significant dealings in all

³⁴Cipolla, Before the Revolution, p. 200.

³⁵Cipolla, Before the Revolution, pp. 199-200.

³⁶Cipolla, Before the Revolution, p. 200.

³⁷Cipolla, Before the Revolution, p. 200.

of these coins, and was intrigued by the price differentials between the hammered Spanish reale on the one hand, and the milled florin, ducat, and chequin on the other.³⁸ The same scientific curiosity which led him to perform experiments also led him to consider mechanistic explanations of the value differentials between these coins.

Before the major silver and gold finds of the 1500s in Africa and the Americas, the quantity of specie in Europe grew more slowly than total money demand, and this produced deflationary effects which were variously countered by means of the development of instruments and institutions of credit on the one hand, and currency debasement on the other.³⁹ Data on currency debasement from the ninth through the eighteenth centuries indicate that the greatest economic development occurred in those countries which experienced the greatest currency debasement.⁴⁰ Turkey experienced a large influx of debased foreign currencies during the period 1650-1676, coincident with its temporary resurgence as a wealthy eastern

³⁸Sir Dudley North, "Divers Turkish Avantias," contained in Roger North, The Lives, 2:443-445.

³⁹Cipolla, Before the Revolution, p. 200.

⁴⁰Cipolla, Before the Revolution, pp. 200-201.

Mediterranean power. North's early writings display a fascination with the economic mechanics of this period's influx of debased monies.⁴¹ The growth of the markets in which he was dealing was in part a growth of the domestic Ottoman economy; his writings show that he believed that the growth of a nation's wealth could be decomposed into both internal and external factors, and it is apparent that he linked the growth of the Ottoman markets for monies and specie to the growth of trade during this period.

Before the thirteenth century, European countries could be considered to have been underdeveloped relative to the civilizations of the Arab world.⁴² Consequently, international trade was characterized by a flow of raw materials from West to East, and a flow of finished products from East to West.⁴³ However, by the fourteenth century these flows had begun to reverse, as the European states asserted their superiority in manufacturing processes.⁴⁴ With the major specie finds of the sixteenth

⁴¹Sir Dudley North, "Divers Turkish Avantias," contained in Roger North, The Lives, 2:443-445.

⁴²Cipolla, Before the Revolution, pp. 220-222.

⁴³Cipolla, Before the Revolution, pp. 221-222.

⁴⁴Cipolla, Before the Revolution, p. 222.

century, the prices of major items of trade inflated, but interest rates in major financial centers fell to historic lows due to the vast increases in the supply of precious metals.⁴⁵ These economic stimuli had the effect of facilitating the development of international trade, particularly with the East.⁴⁶ It is therefore not surprising that much of North's writings deal with interest rate formation, specie and money flows, and the growth of trade and wealth. As the highest business officer of the Levant Company's operations in Turkey, his daily affairs involved him in commodity, specie, and money markets throughout the Levant region during the most prosperous period of the Company's history, and during a period of accelerated growth of the Ottoman economy.

The Levant Company paralleled the Ottoman economy's performance during the first century of the Company's existence. The Levant Company's volume, composition, and conditions of trade with Turkey underwent three successive phases of development in this period. The first phase covered the period 1580-1640; this was the formative period of structure and growth for the Company. The second phase covered 1641-1660, and was characterized by

⁴⁵Cipolla, Before the Revolution, pp. 227-229.

⁴⁶Cipolla, Before the Revolution, pp. 229-230.

stagnation of trade, incoherence of the command structure of the Company, and lax enforcement by the Ottoman government of the conditions of trade. The third phase of the Company's activities covered the period 1661-1680; historian Alfred C. Wood has called this the central period of the Company's history.⁴⁷ The Company's central period was characterized by unparalleled prosperity, order, and cohesion within the Company's command structure, and Turkish cooperation. North's first essays on economics were contemporaneous with the Company's central period, and display a detailed knowledge of the volume, composition, and conditions of trade which the Company experienced during North's stay in Turkey. However, it is unwarranted to assume that North had no knowledge of the particulars of the first two phases of the Company's history. As has already been shown, Dudley North was an intellectual who typically exhibited insatiable curiosity about that which passed under his scrutiny. He spent several years untangling the accounting books of the Constantinople factory, and he delved as deeply as was possible into the history of the Company's operations, while sorting out its current accounts.

⁴⁷ Alfred C. Wood, A History of the Levant Company, Second Impression, Frank Cass & Co. Ltd., London, 1964.

The Company was dualistic in character from its origin: it was the English embassy at Constantinople, making its chief officer the official representative of the British Crown; but it was also a commercial agency, with the expectation that its officers were to safeguard and promote the Company's business interests.⁴⁸ Throughout the first century of the Company's existence, these dual functions gave rise to a bifurcation of duties among the Company's principal officers; the ambassador typically left the Company's business in the hands of the chief treasurer, and contented himself primarily with affairs of state. This dualistic character of the Company and the consequent bifurcation of its officers' duties would later bring chief treasurer Dudley North into close business and personal proximity with the highest political figures and the most powerful financial investors in Turkey, and would give him a powerful purview of the economic history of the empire.

William Harborne, the first Company ambassador to Turkey, understood some of the rudiments of reciprocal gift-exchange in a quasi-oriental society, and distributed gifts lavishly among the principal authority figures in Constantinople. He excelled in public relations, and

⁴⁸Wood, Levant Company, pp. 10-13.

Turkish officials were impressed by his behavior. Harborne succeeded in forming a strong basis for England's influence in the Levant region, which was never again to be in danger from rival European powers.⁴⁹ His example demonstrated to later Company factors some of the specific stylized ways in which affairs of state could be effectively transacted in the Ottoman Empire. Perhaps Dudley North owed some of his success in dealing with Ottoman officials to the study of Company records of Harborne's experiences.

The Levant Company also became deeply involved in the entrepreneurial hierarchy of the East India Company from its inception. In fact, the early East India Company was a spin-off from the Levant Company; its first governor, Thomas Smith, was also governor of the Levant Company, and it is suggested that at first both companies used the same accounting books. Throughout the seventeenth century, there was continuous interlocking of directorate boards and memberships, and this served to further consolidate the Levant Company's hold on the Turkey trade.⁵⁰ Thus, the early 1600s were to see the beginnings of the Levant Company's monopoly and monopsony powers in the Ottoman Empire.

⁴⁹Wood, Levant Company, pp. 13-14.

⁵⁰Wood, Levant Company, pp. 30-31.

The Company's trade in the Levant region was both profitable and expanding during the first forty years of the seventeenth century. Many of the merchants amassed large personal fortunes. One prominent item of export was English cloth, the demand for which grew more elastic throughout the first thirty-five years of the seventeenth century. Fully half this volume of cloth went specifically to Constantinople; it was purple or crimson, destined to the sultan's court and to other high Ottoman ruling class households, and to the Persian market. Other items of export from England were tin and lead, which were in heavy demand by the Ottoman Military Institution. Although the East India Company's sea routes made exotic spices, dyes, and drugs cheaper to import into England, than did the overland routes converging on the Levant region, nevertheless, the interlocking of the Levant Company and the East India Company allowed the Levant Company merchants to reap profits from these items also, by purchasing these imports cheaply in England, and then transshipping them into the Levant region, where again these commodities were destined to the Ottoman ruling class.⁵¹

⁵¹Wood, Levant Company, pp. 42-43.

Therefore, during the first phase of the Levant Company's activities, the Company's pricing practices, the productivity of the English textile industry, the strong enforcement of the Turkish capitulations, and the interlocking of the directorate boards of the Levant Company and the East India Company, allowed the Levant Company to dominate the markets of the Levant region, all but completely driving out the French, Dutch, and Venetian competition, thereby solidifying England's hold on the Turkey trade as a cheap source of raw materials, and as a captive market for manufactures and exotic imports.⁵² This laid the basis for large money and specie markets in Constantinople, the seat of Ottoman power, since net trade deficits in Turkey had to be remitted to England in precious metals. The first phase of the Company's activities also established permanent links and interdependencies between the Constantinople-based principal officers of the Company, and the ruling institutions and ruling class households of the Ottoman Empire. Finally, the trade triangle which was born of the interlocking directorate boards of this period has been widely cited as the basis of Thomas Mun's mercantilist conceptualization of trade and money. The Levant

⁵²Wood, Levant Company, pp. 43-45.

Company's records of this period may also have been instrumental inputs to the formation of Dudley North's conceptualization of trade and money.

Throughout the mid-seventeenth century, trade declined; but the most harmful consequence suffered by the Levant Company was a general mutiny within its factor houses in the Levant region, as a result of political and economic turmoil in England. For a decade, the factor houses themselves were factionally divided along political lines; discipline and obedience were the exception, and not the rule. By 1660, divisiveness within the houses had done more to cripple the Company than any other aspect of the period. Communication with the Company's directors in London had become tenuous at best; ambassadors and consuls openly defied each other's authority and power; embezzlement of Company funds became common. Bribery of Company officials allowed the interloping of non-members to reach enormous proportions; ships' captains and Company factors colluded to defraud the Company of its proper consulage, which formed a large part of the Company's revenues and operational cash-flow. Factors making purchases on behalf of the Company were deliberately overpaying sellers in return for kickbacks; and by the auspices of corruptible Company treasurers, individuals' privately incurred debts were shifted on false pretences

onto the Company's accounts. The accounting books at Constantinople showed such an extreme example of these practices that the directors in London became convinced that they were being defrauded. Rigidly defined procedural decrees from the directors in London did little to alleviate these problems, and it was not until after the Restoration that it became possible for the Company's directors to restore discipline and order, and hold back the Company from the brink of financial ruin. Though the worst of the crisis was past by 1654, still trade remained depressed until 1661, and the factors' abuses continued unchecked.⁵³

It was as a result of the dis-structure of this period that Dudley North was thrust into his first position of real power within the Company; he was moved from Smyrna to Constantinople, and he was promoted to chief treasurer of the Company's entire operations in the Levant. His initial primary task was to unscramble all of the above mentioned fraudulent records, and settle accounts to the extent possible. This task obliged him to run about Constantinople for several years, interjecting his curiosity into a wide variety of markets. He developed a fascinating method of accomplishing his goal:

⁵³Wood, Levant Company, pp. 56-58.

he would study the fraudulent records of transactions with a specific party, make some 'educated guesses' as to what had really transpired, estimate the amount which said party would owe to the Company if the transactions had been entirely legitimate and above board, and then inform that party that the amount was past due and payable immediately, as though reliable Company records indicated this beyond question. This trick was remarkably successful; people thusly confronted by Dudley North frequently declined to argue, and simply paid the amount owed. This trick was also a laudable feat of market interpolation: North's 'educated guesses' must have consisted of an interpolation between earlier reliable records of similar transactions on the one hand, and current similar market transactions on the other.

The abuses of the previous period were soon corrected, and with the return of order and obedience and the renewal of vigorous enforcement of the capitulations by the Ottoman government came a rapid resurgence of trade. In general, the situation in the Levant region after 1660 was favorable for an increase in the volume of trade, for grand vezir Kiuprili, a statesman of unblemished integrity, ensured that the Europeans no longer were victims of excessive extortion by Turkish officials, and is reputed to have dispensed equal justice

to Turks and Europeans alike.⁵⁴ The situation was also supportive of the formation of specie- and money-flow mechanics in the mind of Dudley North, because the volume, composition, and conditions of trade conduced to an enormous influx of foreign monies for the facilitation of that trade, and North's role as chief treasurer was bringing Ottoman markets and their empirical history under the close scrutiny of his scientific curiosity.

The Venetian, Dutch, and French trade which persisted during this period seems to have primarily served the Turkish markets with fungible monies; no large silver or gold denominations were minted in Turkey. The primary French export into the Levant between the 1650s and the early 1660s was the five-sous piece of silver, a coin called the temeens.⁵⁵ Dudley North recalls the trade in temeens in such vivid detail that he must be taken seriously when he says of these coins, "all that I have to say of money, depends . . . on an account of the five-sous pieces, called temeens, their rise and fall in Turkey."⁵⁶ This statement indicates that North was closely examining

⁵⁴Wood, Levant Company, pp. 95-99.

⁵⁵Wood, Levant Company, p. 100.

⁵⁶Sir Dudley North, "Divers Turkish Avantias," contained in Roger North, The Lives, 2:443.

the influx of debased temeens during his years in Smyrna in the 1660s, and that he had examined the Company's records for the 1650s concerning this trade.

The temeens was a small coin, and thus very handy in relation to the much larger Spanish reale and the Dutch lion dollar. The Turks became infatuated with the temeens and imported them at such a rate of exchange as to make their debasement only a matter of time, and soon millions of debased temeens were dumped into the Levant region before the Ottoman government became aware of the fraud.⁵⁷

North gives such a spirited account of these events that one cannot help but sense a wry humor behind the words, a glee at having discovered a natural economic mechanics:

"At first, a French mariner brought some few of the five sous pieces for an adventure to Smyrna, and finding them to pass among shopkeepers (who were pleased with the prettiness of the stamp) at eight to the weighty piece of eight, which made a great advantage, he and his companions, next voyage, brought more, which, going also at the same rate, encouraged others; and so, from a mariner's commodity, it came to be taken up by the merchants, who bought it in large quantities. And, finding that France afforded not a sufficient supply of that coin to answer the occasion, they set the mint on work on purpose for them. The great gains, made by these monies, permitted them to raise the price of goods in Turkey, whereupon, all people exclaiming against these new monies, they fell in some disrepute; so that they were forced

⁵⁷Wood, Levant Company, p. 101.

to pass them at ten to the dollar to pass them off. And, to make up that loss, they put to them more of alloy; but not being able to effect that in the royal mint of France, they found out a lady in France, Madame D--, who had a right of coining, and gave in her arms three flowers de luce. And she supplied them with large quantities. And the cheat was not found out by the Turks; for the arms were the same, and the face not much different, and they could not read the inscription. After this example, others soon went to work; the Duke of Florence, State of Genoa, and almost all the petty states in Italy; such as by any means could hook in flowers de luce, were sure to make this use of them."⁵⁸

Exactly where North obtained all of the above information is not certain, but this passage from one of his early essays constitutes a terse digest of the history of the French trade in temeens, covering the 1650s and 1660s.

The Levant Company, in an effort to completely dissassociate itself from the traffic in debased monies, ordered that all coinage imported into the Levant was to be weighed by the ambassador or consul in the presense of Turkish officials.⁵⁹ However, Dudley North's prediction of Turkish skepticism and suspicion proved to be an astute assessment of Ottoman character. The Turks regarded this new Company procedure as a ploy to foist even more debased

⁵⁸Sir Dudley North, "Divers Turkish Avantias," contained in Roger North, The Lives, 2:443-444.

⁵⁹Wood, Levant Company, p. 101.

money on them, and when, in 1677, a cargo of 200,000 new Dutch lion dollars arrived in Aleppo on an English convoy, the grand vezir ordered its impoundment; the coins were tested and found to be of true weight and fineness, and yet it still cost 15,000 of them to secure the release of the remainder.⁶⁰ Dudley North attended the Turkish assay of these coins, in representation of the Company's interests. His essay describing this event is yet more evidence of his preoccupation, prior to 1680, with the many institutionalizations of monies in societies.

Although an exact date cannot yet be pinpointed for Dudley North's early essay concerning the temeens, Roger North claimed that it was written before Dudley left Constantinople in 1680, at least six years before Letwin's date of the earliest known draft of Discourses Upon Trade; in this essay, Dudley North taxonomized and sequenced those events into recognizable equilibration mechanics:

"The melting down, and refining such vast quantities of five sous pieces, produced such a flood of silver in all parts of Turkey, that the King of Spain's money, good pieces of eight, were worth very little more than the lion dollar of Holland, though the intrinsic difference be about eighteen per cent. Whereupon the merchants cared not to carry Spanish money any longer; but looked out for lion dollars, and florins, which turned much better to account, and this trade lying conveniently for our merchants, they were as deeply concerned in it

⁶⁰Roger North, The Lives, 2:448-451.

as any else. So that all the old money was soon drained out of those countries, and they were forced to go to minting for making new; which they coined at all the several mints in Holland, and other⁶¹ provinces, in what quantities they pleased."

Current Data

In his capacity as a factor in the Ottoman Empire, Sir Dudley was in the unique position of having access to the Levant Company's rich store of data pertaining to the flow of commodities, services of all kinds, prices, revenues, costs and the flow of money. His concerns with, and knowledge of, contemporary economic data are reflected in several of his essays and letters dealing with the Ottoman state, economy, and society--writings that are reproduced in his biography, as has been mentioned earlier.⁶² These essays and letters discuss commodity flows, shipments of specie, monies of different nations, exchange rates, the testing of monies as to fineness, and the economic ramifications of the Grand Vezir Kiuprili's political and economic reforms. Dudley North's very real fascination and preoccupation with economic variables are well documented by these earliest of his known writings.

⁶¹Sir Dudley North, "Divers Turkish Avantias," contained in Roger North, The Lives, 2:445.

⁶²Sir Dudley North, contained in Roger North, The Lives, 2:302-349, 427-475; 3:1-34, 78-90, 233-270. See the bibliography for a complete listing of titles.

At a time when Europeans in the empire were generally regarded by the Turks with contempt and mistrust, Dudley North was a trusted predominant finance capitalist to the Ottoman Empire. His business dealings and speculative ventures penetrated into virtually every stratum of the Ottoman ruling class and ruling institutions, making current (and historical) empirical information potentially available to him on a large and comprehensive scale. By the mid 1670s, Dudley North had vast financial dealings with many members of the powerful Imperial Council in Constantinople. Of these men, the chief treasurer was one of the most important officials of the state, empowered to issue orders in his own name; only the grand vezir and the judicial chiefs were similarly empowered. The chief treasurer was one of North's closest friends within the Imperial Council.⁶³

Consider the implications of this friendship and clientage, with respect to the potential for current (and historical) empirical inputs to North's conceptualized fact matrix. A common structural form and a standardized method of accounting characterized the financial departments throughout the empire. Records keeping under the Imperial Treasury included summary budgets for all

⁶³Roger North, The Lives, 2:407.

provinces and treasury departments, itemized revenue sources, expenditures, and payments, separate records of receipts, records of audits on other departments, and salary rolls for the army and the palace service. There were also records of revenues and expenditures in kind. The central Treasury in Constantinople was the model upon which province treasuries were structured. The Chief Treasurer oversaw the commodity and specie traffic of the ports and landing places along the Danube, regulated the state monopolies in salt, soap and tobacco, and supervised the exploitation of specie mines in the empire. Through his close personal and business relationship with the Chief Treasurer, North potentially had some level of access to what must have been one of the largest raw economic data matrices of the seventeenth century.

Summary

It may be concluded, therefore, that the reality which Sir Dudley analyzed in model terms in Discourses Upon Trade was in the nature of a mental construct that he crafted from inputs distilled from his scientific theories and principles, from his analysis of the history of the area where the Levant Company operated, and from his empirically obtained information and notions concerning the contemporary economic scene in the Ottoman Empire.

CHAPTER IV

SIR DUDLEY'S CONCEPTUALIZED REALITY:

FACTS, PROCESSES, STRUCTURE

The reality that Sir Dudley conceptualized is the centerpiece of his entire body of doctrine. And it was, as indicated above, the result of his combination of theoretical, historical, and empirical inputs into a coherent whole. This whole consists of a variety of elements, however. Chief among these are what may be termed the 'facts' of the Northian reality.

Some Principal Facts

As has been mentioned, 'facts' are distilled from a detailed and more cumbersome array of 'data' by the use of the 'selecting grid' of concepts. Some of the principal facts in the reality constructed by Sir Dudley pertain to the actors in the economic drama, to the economic processes driven by the activities of these actors, and to the institutional setting in which they acted.

Economic Actors

The analytical conceptual categories which Sir Dudley constructed in order to encompass the actors, or participants, in the economic system display a micro/macro bifurcation. On the one hand, any particular market is

animated by "Buyers . . . [and] Sellers" (or, in the specific case of the money market, by "Borrowers . . . [and] Lenders").¹ However, on the other hand, the national output is determined by the distribution of income between the income categories of wage, rent, interest, and profit; and the Northian realm of macroeconomic analysis is inhabited and animated by "Workers," "Landlords," "Undertakers" (or entrepreneurs), "Merchants" (or traders and merchandizers), and "Stocklords" (or financiers).² These analytical conceptual categories, then, constitute the 'facts' of the economic participants in the Northian reality.

Buyers and sellers are the principal participants in market processes. Their activities generate market-clearing prices. Since all commodities and resources are exchanged for money in markets, then everyone in the Northian reality is both a buyer and a seller.

The Northian worker combines his labor power with the resources controlled by the landlord, undertaker, merchant, and stocklord, in order to earn a living for

¹Sir Dudley North, Discourses Upon Trade, p. 21.

²Sir Dudley North, Discourses Upon Trade, and Roger North, A Discourse of the Poor; passim.

himself and his family. Workers have no other subsistence than the sale of their own labor power, and therefore they "count upon their Labour as Money in their Coffers, and [will] not willingly cast away the one more than the other."³

Landlords have lands in excess of their needs and uses, and therefore rent or mortgage some of their land in order to support their exorbitant consumption appetites; they frequently "spend faster than their Lands bring in."⁴

The undertaker brings his "Spirit, Purse, and Conduct" to bear on the organization of resources into manufacturing processes.⁵ Undertakers "are very instrumental in the Public by advancing Manufactures;" that is, it is largely their own past profits which are used to initiate manufacturing processes.⁶

The merchant "commutes [commodities] . . . in Trade."⁷ His exchange activities transform a society's "Superfluities" into "other Necessaries wanted."⁸ To

³ Roger North, A Discourse of the Poor, pp. 60-61.

⁴ Sir Dudley North, Discourses Upon Trade, p. 20.

⁵ Roger North, A Discourse of the Poor, pp. 75-76.

⁶ Roger North, A Discourse of the Poor, p. 62.

⁷ Sir Dudley North, Discourses Upon Trade, p. 17.

⁸ Sir Dudley North, Discourses Upon Trade, pp. 16-17.

facilitate their exchange activities, merchants frequently perform some banking functions for each other "when they disburse Money for each others Account."⁹

The stocklords consist of "Men of great Estates, [who] keep by them for State and Honour, great Quantities of Plate, Jewels, &c."¹⁰ They "either have not the skill, or care not for the trouble of managing" the application of their own liquid assets in particular activities.¹¹ Therefore, they "lett their Stock," just as "the Landed Man letts his land."¹²

Sir Dudley distilled the facts of these actors from the raw data of his personal experiences; he was a buyer and seller, a merchant, a landlord, and a financier; and in his capacity as landlord, he travelled England widely enough to become familiar with various manufacturing activities and regional labor pools.

Economic Processes

Given the chief roles played by the economic actors, it should come as no surprise that there are three major

⁹Sir Dudley North, Discourses Upon Trade, p. 18.

¹⁰Sir Dudley North, Discourses Upon Trade, p. 19.

¹¹Sir Dudley North, Discourses Upon Trade, pp. 17-18.

¹²Sir Dudley North, Discourses Upon Trade, pp. 17-18.

types of economic activity in Sir Dudley's reality: (1) buying and selling, or trade in already existing goods; (2) financial activities pertaining to commercial, agricultural, and manufacturing activities; and (3) production processes in agriculture, manufacturing, and merchandizing.

Buying and Selling. Buyers and sellers engage in a real-time bidding process, the outcome of which is a set of prices which has the property that all participants are best "accommodated."¹³ These are the facts of the Northian process of exchange. Like all such facts, they were distilled from a more complex array of data.

Sir Dudley was deeply involved as a buyer and seller in many important price-generating markets in the Levant. To facilitate exploitation of the grain market and collection of taxes, the Ottoman government had long required traders to gather in one place; this had had the effect of hastening the transformation of traditional monetized marketplaces into true price-generating markets.¹⁴ Vezirs and provincial governors typically had

¹³Roger North, The Lives, 3:104-105.

¹⁴Ira Marvin Lapidus, Muslim Cities in the Later Middle Ages, Harvard University Press, Cambridge, Massachusetts, 1967; p. 100.

large stocks of grain which, when converted into money in the market, drove down grain prices.¹⁵ Legal scholars complained about falling grain prices because their incomes depended upon disposing of their payment in kind at favorable prices.¹⁶ Judges and market inspectors also speculated in grain. High members of the ruling class would hire functionaries to manage their warehouses, and employ grain brokers to sell supplies in excess of their needs. Coordinated speculations were common. North was deeply involved in this activity, acting as a broker for many members of the Imperial Council and other high officials, organizing the monopolization of market supply and concentrating the decision-making power of many scattered speculators into his own hands.¹⁷ In addition to the pooling of large speculative stocks of grain belonging to the wealthiest officials, speculative stocks of grain could also be organized by purchasing many small amounts from minor salary holders; North was aware of elasticities, and was fond of pointing out to people that a large enough number of individually tiny profits summed to one vast profit. Thus, the wealthiest and most

¹⁵Lapidus, Muslim Cities, p. 51.

¹⁶Lapidus, Muslim Cities, p. 51.

¹⁷Roger North, The Lives, 2:346, 410, 417; 3:72-73.

powerful members of Ottoman society sought to control and exploit grain markets as a means of further amassing liquid capital, and Sir Dudley was their instrument in this quest. The most common form of large scale grain speculation was to restrict supply, in self-fulfilling anticipation of rising prices.¹⁸ Rumors of famine, water shortages, or crop failures also brought speculative profits. North's artistry and success in the speculative manipulation of markets in the Levant region can be gauged by the cries of praise they evoked within the walls and purses of the Imperial Palace.¹⁹

North's activities as a monopoly trader, monopoly broker, financial-group leader, and speculator, involved him in discretionary manipulation of important markets throughout the Levant. It can be either documented or inferred that he purposefully juggled the prices of many possible markets: monies and specie, jewels, grain, furs, clothes, silks, slaves, utensils, equipment, weapons, small properties of many varieties, textile products, tin, lead, iron, woods, sugar, oils, tar, spices, drugs, soap, honey, raisins, salt, and tobacco, to name but the most likely candidates. The modes of allocation and

¹⁸Lapidus, Muslim Cities, pp. 53-54.

¹⁹Roger North, The Lives, 2:417.

distribution of these commodities therefore presented him with a penetrating and detailed overview of the Ottoman price-system.

Financial Activities. Stocklords finance many activities. Landlords borrow from them to support their own luxurious consumption, or to initiate the growing season. The undertaker may in part depend upon the stocklord for the "advancing," or financing, of a manufacturing process. The large-scale commercial activities of the merchant require the finance capital of the stocklord as well. These are the facts of Northian financial activities, and these facts were also selected from a more detailed array of data.

Dudley North was a very secretive man, and Roger claims that Dudley divulged only a very few details about his specific activities as an Ottoman financier.²⁰ However, the few documented specifics which are accessible can be coupled with the known specific activities of Ottoman financiers as a whole during this period, so as to present a fairly detailed estimate of North's documented and inferred financial activities within the empire.

²⁰Roger North, The Lives, 2:408.

Ottoman merchants were free to engage in a wide variety of enterprises, and this freedom enabled them to accumulate money capital which could be reinvested so as to make rapid personal money-wealth accumulation a distinct possibility within the merchant class.²¹ In fact, Muslim law allowed the formation of private finance capital and financial groups.²² Although usury laws existed, there were many institutionalized devices which allowed interest in fact. Financiers were needed by all classes to finance their endeavors, or to pay their taxes.

Many members of the Ottoman ruling class were merchants. Merchants' accumulated capital found application in the growth of the Ottoman textile industry, in commodities speculation, and in loans. The wealthier merchants in Islamic cities were a powerful and honored class, composed of wholesalers, brokers, and international traders.²³ Merchant fortunes were held in money, vineyards, orchards, gardens, houses, marketplaces, bazaars, shops, presses, baths, and caravansaries.²⁴

²¹Shaw, Ottoman Empire, 1:158.

²²Shaw, Ottoman Empire, 1:158.

²³Lapidus, Muslim Cities, pp. 117-118.

²⁴Lapidus, Muslim Cities, p. 119.

Not only were merchants' sales to high ruling class households a large part of their total business, but merchants stood ready to buy excess grain, raw materials, utensils, jewels, and other commodities from them for cash, in anticipation of profitable resale.²⁵ North mentions a brisk business in precious gemstones with the Imperial Palace, sometimes "to the value of four or five thousand dollars in a parcel."²⁶ In fact, North's dealings in jewels were extensive enough that he was able to organize price-fixing agreements among the most prominent jewelers of Constantinople.²⁷

In the period of North's stay in Constantinople, his importance to the state as a finance capitalist is intimated in the habit of the powerful Turks with whom he had personal financial dealings to call him Hasnadar, a title which literally interprets as Chief Treasurer, and otherwise denoted the Chief Treasurer of the Imperial Treasury in Constantinople.²⁸ When his functions as a financier, monopoly trader, monopoly broker, and liquid-instruments speculator had grown to proportions

²⁵Lapidus, Muslim Cities, p. 120.

²⁶Roger North, The Lives, 2:412-413.

²⁷Roger North, The Lives, 2:409.

²⁸Roger North, The Lives, 2:403.

yielding him "superabundant profit," he even built a typical piece of bank physical capital, a fire-proof vault.²⁹ It was situated in the basement of his private home, directly under the counting-room through which all of North's money, written records, and correspondences flowed.³⁰ This was independent of the Company's normal business dealings, and was meant to secure his personal flows of liquid instruments and the irreplaceable accounts and records of his financial activities.³¹

Production Processes. Sir Dudley sketches three types of production processes: agriculture, manufacturing, and merchandizing.

Agricultural production is mostly in the hands of the owners of great landed estates, or "great Farmers," who must finance this season's tillage out of last season's rent.³² They adjust the extensive and intensive margins of cultivation, in response to changes in prices and costs.³³ There are small farms also, however, which

²⁹Roger North, The Lives, 2:408.

³⁰Roger North, The Lives, 2:403.

³¹Roger North, The Lives, 2:403-404.

³²Roger North, A Discourse of the Poor, p. 67.

³³Roger North, A Discourse of the Poor, pp. 65-66.

borrow money from the stocklord in order to finance tillage; hence, interest payments bear more heavily on their decisions than on those of the great farmers.³⁴

These are the process-facts of Northian agricultural production. The array of data from which they were filtered was probably assembled by Sir Dudley after his return to England in 1680. It was during this period that he became a great landowner, and travelled England extensively. His curiosity drove him to examine his land holdings in detail. He would trace the history of land-use by means of old titles to the land, and by means of topographic study. He also examined the farming methods and processes involved in different scales of farming operations.

Manufacturing processes are organized by the undertaker, and it is largely his own past profits which initiate those processes. His primary decision-making concern is variability in the cost and availability of labor.³⁵

As was mentioned above, Sir Dudley constantly retrieved esoteric data from manufacturing trades during his stay in Turkey. This aspect of his curiosity

³⁴Roger North, A Discourse of the Poor, pp. 65-70.

³⁵Roger North, A Discourse of the Poor, pp. 75-76.

continued unchecked after he returned to England. While travelling to examine his land holdings, he would also examine the manufacturing processes of the towns through which he passed.

Merchandizing is also a production process in the Northian reality. The Northian merchant rents or buys ships, carravans, structures, and existing goods, so as to be able to transport, store, and merchandize commodities. The great merchants use their own past profits to set this process in motion, whereas the lesser merchants must borrow from the stocklord in order to finance their activities.³⁶ Merchants are continuously engaged in "buying where Goods are produc'd, and cheap, and transporting them to Places where they are wanted, making great advantage thereby."³⁷

Sir Dudley has been characterized by Letwin as a 'perfect merchant.' Obviously, the array of data from which Sir Dudley culled the facts of the merchandizing process was constituted of his experiences as a factor of the Levant Company.

³⁶Sir Dudley North, Discourses Upon Trade, pp. 20, 25.

³⁷Sir Dudley North, Discourses Upon Trade, p. 25.

Institutional Setting

The economic actors in the Northian reality do not carry out their economic activities in an institutional vacuum. The principle institutional arrangements are of a twofold nature. In the first place, there is the institution of ownership and control of property. This institution and its operations are conditioned by the fact that much of the property involved is of a type that is continuously alienated; that is, it is in the nature of "circulating capitals," as Adam Smith put it.³⁸ Secondly, there are governmental institutions that perform regulatory, quasi-regulatory, and juridical functions--functions that have great impact upon the economic activities that are carried out by the various groups of economic actors.

Economic Institutions. The Ottoman economic system of Dudley North's experiences was an example of a capitalist laissez-faire price-system, dominated by a financial oligarchy composed of the wealthiest merchants in the empire. This can be verified by tracing the sources of the fundamental Ottoman economic institutions, classes, and policies.

³⁸Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, edited by Edwin Cannan, The Modern Library of Random House, New York, 1937; p. 263.

The purpose and structure of Ottoman state and society emphasized justice and security for the subjects.³⁹ This view was legitimized in ideology as a "cycle of equity": (1) rule and state cannot exist without the military; (2) the maintenance of a military institution requires wealth; (3) wealth is produced by the subject class; (4) the subject class can prosper only through justice; (5) and justice cannot exist without rule and state.⁴⁰ The cycle of equity constituted the ideological justification and legitimization of that political organization and those practices which assured the production and exploitation of wealth for the purposes of supporting the ruler and the state. Ottoman religious scholars believed that the cycle of equity unimpeachably justified and legitimized the institutions of private property and the right to bequeath; the radical notion that all property in society belonged to the sultan, in supersedure of private rights, was considered to be heretical. Thus, two of the most fundamental capitalist institutions--private property and the right to bequeath--were set up as inviolable economic motivational mechanisms.

³⁹Shaw, Ottoman Empire, 1:112.

⁴⁰Shaw, Ottoman Empire, 1:112.

By religious dictum, society was divided into two groups: the large subject class, who were declared to be the source of all wealth, and the small ruling class, who were the instruments of the sovereign and the state. The religious dictum that the subject class was the source of all wealth formed the ideological justification for and legitimization of laissez-faire economic policies, in both the foreign and domestic spheres of economic activity.

The main functions of the state were the organization and exploitation of wealth, the expansion and defence of that wealth, the maintenance of civil order, and the promotion of the religion and culture of Islam (although the practice of other religions within the Empire was still tolerated).⁴¹ The religion of Islam was the blueprint by which rulers, administrators, and soldiers carried out their roles in society, and as such, Islam was jealously maintained, protected, and promoted by the Kiuprili regime.⁴² In corrolary to this, the religion of Islam was also a blueprint for price-generating markets, because Islam decreed that the methods and organizational aspects of the production and distribution of wealth were to be discretionary arrangements left to the subject

⁴¹Shaw, Ottoman Empire, 1:112.

⁴²Shaw, Ottoman Empire, 1:112.

class, within the legal framework of private property and the right to bequeath. Therefore, the Ottoman economy of the Kiuprili years was primarily a capitalist laissez-faire price-system.

In the absense of true banks, the scale and sophistication of the Ottoman economic system during this period required that merchants perform some banking functions, because there was no state bank or mint.⁴³ Deposit banking was performed by merchants, and the distinction between savings and investment was made.⁴⁴ Money lending was largely in the hands of the international traders, whose great personal wealth enabled them, through financial group arrangements, to pool vast sums of finance capital; one or a few dominant finance capitalists would then represent the group in making loans to the state.⁴⁵ The state frequently treated the merchant class as its treasury, to be tapped for funds as needs arose.⁴⁶ So important to the state were the merchants' banking functions that the state guaranteed, by treaties,

⁴³Lapidus, Muslim Cities, p. 120.

⁴⁴Lapidus, Muslim Cities, p. 120.

⁴⁵Lapidus, Muslim Cities, p. 121.

⁴⁶Lapidus, Muslim Cities, p. 122.

personal safety and consular protection to the European merchants in the empire.⁴⁷

Thus, the Kiuprili period of Ottoman history was characterized by a laissez-faire capitalism in which the wealthier merchants were a powerful and honored class of financiers; that is, this period witnessed a laissez-faire price-system, dominated by a financial oligarchy of which Dudley North was a leading member.⁴⁸

Governmental Institutions. The ruling class itself was subdivided into four functionally distinct groups: the Palace Institution, the Scribal Institution, the Military Institution, and the Religious Institution. By the mid-1670s, Dudley North had vast financial dealings with some of the highest officials of rank, wealth and power in these ruling class institutions. North's clients within the ruling class and ruling institutions afforded him access to a great volume of current and historical economic data, and enabled him to centralize the discretionary manipulation of specific institutionalized market-control powers.

⁴⁷Lapidus, Muslim Cities, p. 123.

⁴⁸Lapidus, Muslim Cities, pp. 117-120.

The function of the Palace Institution was to provide the leaders of Ottoman society, such as provincial governors, military commanders and grand vezirs. It was a training institution which existed within the walls of the Imperial Palace itself, the dwelling of the Sultan and his family. North was very secretive about the exact nature of his role as a predominant financier in the Ottoman Empire, but he once told his younger brother, in "familiarity and confidence," that he had once met the Sultan himself, as a result of his extensive and remarkably profitable dealings with members of the powerful Imperial Council:

The great officers about the grand signor [i.e., the Sultan] with whom he had transacted, and (with such respects as became him) familiarly conversed, told his majesty that there was now, in the city of Constantinople, an extraordinary gower [foreigner], as well for person as abilities, to transact the greatest affairs; and so, in the ordinary conversation with the grand signor, he was often named for somewhat considerable, besides his actions as hasnadar of the English nation under their ambassador. The grand signor declared he would see this extraordinary gower; and accordingly the merchant was told of it; and, at the time appointed, an officer conducted him into the seraglio, and carried him about till he came to a little garden, and there two other men took him by the two arms, and led him to a place where he saw the grand signor sitting against a large window open, in a chamber not very high from the ground; the men, that were his conductors, holding each an arm, put their hands upon his neck, and bowed him down till his forehead touched the ground; and this was done more than once, and is the very same forced obeisance of ambassadors at their audiences.

After this, he stood bolt upright as long as the grand signor thought fit to look at him; and then, upon a sign given, he was taken away and set free again by himself, to reflect on this his romantic audience.⁴⁹

The Scribal Institution was the most important segment of the ruling class. This institution had two branches: the Imperial Council, and the Imperial Treasury.

The Imperial Council was the main organ of the centralized administration of the Ottoman Empire. Its members consisted of the vezirs, including the grand vezir and the more important provincial governors, the chief treasurer, the head of the grand vezir's chancery, the grand admiral, and the judicial chiefs, as well as the chief jurisconsult.⁵⁰ These, then, were the "great officers about the grand signor," with whom Dudley North had what were probably his largest dealings as a predominant finance capitalist.

In addition to his friendship and private financial dealings with the Chief Treasurer, North boasted of being on joking terms with the grand vezir Kara Mustapha, the most powerful state official below the sultan.⁵¹ The grand

⁴⁹Roger North, The Lives, 2:417-418.

⁵⁰Shaw, Ottoman Empire, 1:118.

⁵¹Roger North, The Lives, 2:427.

vezir held the power to issue market-control orders in his own name.

Other important clients within the ruling class were the leading members of the Religious Institution, which encompassed matters of law. North knew and had dealings with many high judges, as well as the Chief Judge of Constantinople.⁵² Judges received salaries from the state, fees for their services, and gifts and small pensions from diverse social groups. The diversity and variability of their income sources tied judges to the whole class spectrum of Ottoman society, such that they shared many of the concerns of the rich merchants who were their clients or colleagues.⁵³ In addition to judicial duties, judges performed administrative functions as well. Judges and high administrators theoretically shared authority locally, but the latter were frequently away on military campaigns, leaving judges in administrative command. Judges' local administrative duties included certifying tax assessment lists and collection accounts, supervision of assessment and collection of taxes, and the establishment of market regulations and price controls, when and where needed. The various income sources of the

⁵²Roger North, The Lives, 2:382-383.

⁵³Lapidus, Muslim Cities, p. 140.

Chief Judge of Constantinople made his position the most lucrative and powerful of all judicial posts in the empire, and the Chief Judge held Dudley North in especially high esteem. The Chief Judge of Constantinople was responsible for supervizing markets and price controls in the city.⁵⁴ Through his close dealings with the judicial chiefs, North may have been able to centralize the use of their sweeping market-control powers, thus making speculative ventures yield "superabundant profit," and affording North a primary means by which market disequilibria processes could be studied.

Within the Military Institution, North's client and very good friend was a naval commander named Bobahassan.⁵⁵ North refers to Bobahassan as being "a bey of a galley, which requires a very great cash, and withal a luxurious fellow, . . . in perpetual want of money."⁵⁶ This reference is somewhat ambiguous as to Bobahassan's specific rank and function in the Ottoman naval structure, but the use of the title bey indicates that he was almost certainly an admiral--conceivably even the grand admiral

⁵⁴Shaw, Ottoman Empire, 1:136.

⁵⁵Roger North, The Lives, 2:411.

⁵⁶Roger North, The Lives, 2:411.

of the navy.⁵⁷ This places Bobahassan somewhere in the apex of the Imperial Dockyard hierarchy, which coordinated several shipyards in different parts of the empire as well as the fleet and officers and men working in them.⁵⁸ North intimates that, in addition to loans, he had considerable commercial dealings with Bobahassan, who may have been acting as a purchasing agent for the Ottoman navy.⁵⁹ In addition, Bobahassan and other naval officials controlled most of the slave-trade in Constantinople.

Thus, there was a particularly robust demand for finance capital on the part of the officials of the Ottoman government. For members of the ruling class, access to large sums of borrowed money could enable one to gain higher positions in the Ottoman bureaucracy, where public powers and state authority could easily be transformed into private power, personal superiority, and wealth.⁶⁰ North had "a large sphere of transaction with the great men of the law and the court," in his capacity as financier of money combats for political power.⁶¹ "That

⁵⁷Shaw, Ottoman Empire, 1:131.

⁵⁸Shaw, Ottoman Empire, 1:131-132.

⁵⁹Roger North, The Lives, 2:411-412.

⁶⁰Lapidus, Muslim Cities, pp. 48-50.

⁶¹Roger North, The Lives, 3:72-73.

is, they . . . bribe for places, which may make them masters one over the other," making the sultan's palace, the Imperial Council, and the grand vezir's court "a sort of market . . . prodigiously greedy of money."⁶² Finance capital was a means to the privatization of power in Ottoman society, and in this sphere, North performed one of the most powerful functions of the finance capitalist, that of determining the financial and political fate of specific ruling class individuals. In every case just mentioned, the price of access to the finance-capital of Dudley North could easily have been disclosure of data, assimilation into North's financial group, and concentration and centralization of their market-control powers under North's discretion.

Obviously, the above-mentioned processes and institutional arrangements have a decisive influence upon the framework within which monetized exchange takes place. This framework is in the form of markets.

Markets in the Northian Reality

The markets in which exchange takes place are the most important components in the reality that Sir Dudley conceptualized for the purpose of economic analysis.

⁶²Roger North, The Lives, 2:346, 410.

It is true that England was more highly industrially developed than was Turkey during this period; but relatively atomistic and geographically large price-generating markets were much more highly developed in Turkey during 1660-1680, than in England during 1680-1690. Dudley North's comments to this effect, made to his younger brother, are quite illuminating. Markets, at the time of North's return to England, were not yet very highly organized into locationally centralized bidding mechanisms coordinating a large geographic area; many of the particular markets in which North seemed interested were locationally and informationally dispersed, and this precluded real-time bidding processes between many buyers and sellers from taking place. The equilibration process of England's markets was embryonic at best, compared to what he had witnessed in Constantinople:

[Dudley North spoke of] . . . the want of a convenience in London, which was admirably supplied in Constantinople; and that was the Besastein. This is a place like the Exchange, built of stone and very strong; it was proof against fire, as well as against thieves. There, goods of all kinds were taken in for safe custody, and delivered out again, upon payment of a very small premio. The manner of disposition in it is much like that of the king's warehouse at the Custom-house; where is an order, and servants, whereby any thing taken in may readily be found, and brought forth. In the upper part, there was a perpetual outcry, or sale of goods, not, as here, in a sort of office, till all is dispatched, but by men

running about from one place to another, and crying the price. There a man may go for his diversion, and, sitting down, observe; for instance, a scimitar: "So much bid for this; who bids more?" You may look on it; and, if you say any thing more, away runs the fellow, and cries it; and, if he finds no more bid, he brings it to you, and it is yours for your money. And so, for almost every kind of thing that any man desires or uses, it is odds but he is accommodated. While our merchant was a young beginner in London [i.e., immediately following North's return to England in 1680], he wanted many things, and he believed they were easy to be procured; but those that wanted him, could not find him any more than he them. Then he complained of his want of the Constantinople Jews, that, in such cases, brought buyers and sellers together ⁶³

The market of North's experiences in Turkey was a relatively atomistic, geographically large, centralized, real-time bidding process in which relevant information was readily available to the participants. In this light, it is not at all mysterious that North imputes beneficial social significance to the spontaneous functioning of the market system; it assures each participant that "for almost every kind of thing that any man desires or uses, it is odds but he is accommodated."⁶⁴ The Northian commodity market naturally institutionalizes individuals' motives into socially beneficial outcomes. Further, the market and its outcomes encompass the entire society.

⁶³Roger North, The Lives, 3:104-105.

⁶⁴Roger North, The Lives, 3:105.

There are also factor markets in the Northian reality. Sir Dudley describes the markets for labor, land, and money. The markets for labor and land are national markets; the money market is international.

Markets are interrelated in the Northian reality. When interest on money is restrained by law, the "consequence [is that] the Gentry, who are behind hand, be it for what cause soever, must sell, and cannot Mortgage; which will bring down the Price of Land."⁶⁵ When the market wage rises, the landlord's rent falls.⁶⁶ When the availability or weight of money is altered, "immediately the price of Bullion answers."⁶⁷

Summary

Thus the facts, processes, and structure of Sir Dudley North's conceptualized reality were crafted from an immense array of raw data, with the aid of concepts, and within the framework of scientific method.

⁶⁵Sir Dudley North, Discourses Upon Trade, p. 21.

⁶⁶Roger North, A Discourse of the Poor, p. 59.

⁶⁷Sir Dudley North, Discourses Upon Trade, p. 37.

CHAPTER V
SIR DUDLEY'S ANALYSIS

In order to explain and predict the behavior of his conceptualized reality, Sir Dudley was of the opinion that he had to design an analytic apparatus akin to that with which he was familiar in the natural sciences. With that objective in mind, he built a formal system of analysis. This analytic engine consists of two parts, however.

In the first place, it consists of a model of Sir Dudley's conceptualized reality. He constructed this model from a number of judgmentally selected constants and variables which he abstracted from the said reality. The model lacks motive power, however. That is to say, in order to explain and predict its behavior (and thereby that of the conceptualized reality), Sir Dudley needed a set of levers for the manipulation of the independent variables in the model. He constructed these instruments in the form of a number of theoretical principles which, collectively, constituted a static theory of equilibrium. As such, these principles serve as a set of "economic laws" for the model, as Alfred Marshall put it.¹ The

¹Alfred Marshall, Principles of Economics, Ninth Edition, edited by C. W. Guillebaud, The Macmillan Company, New York, 1961; p. 33.

assumptions for these theories, Sir Dudley likewise deduced from his conceptualized reality.

Economic Laws

The motive power for Sir Dudley's model consists of two general theoretical principles which constitute a static equilibrium theory, or a set of equilibrium conditions, for the model.

The first such principle is that buyers and sellers haggle over price, until a market-clearing price is established; this is to say that the equilibrium condition of the Northian commodity market is that 'quantity demanded equals quantity supplied.' The second principle to be considered may be called the equilibrium condition for macroeconomic activity. It asserts that any commodity price can be decomposed into the sum of its component parts of wage, rent, interest, and profit payments to factors; therefore, given price, the level of the wage determines the other factor payments, as well as the overall level of production. This is to say that causation runs from the wage rate to the level of national output, and that this is an inverse relationship.

These two general principles therefore constitute a static equilibrium theory for Sir Dudley's model of his conceptualized reality.

Underlying Assumptions

The assumptions underlying the static equilibrium theory of the model fall into two categories: assumptions about the nature of the actors, and assumptions about the impacts of institutions on behavior.

Assumptions about the Actors

Wealth-seeking is the animus of all the actors' economic activities; that is to say, the Northian actors are acquisitive, self-interested, and materialistic. These attributes provide them with the drive to engage in economic activities. The Northian actors have perfect knowledge of all relevant information. They are rational calculators, and they rationally formulate expectations of the future. Their behavior is motivated by their wealth-seeking propensity, and is given specific form and intensity by their calculations and expectations.

Assumptions about the Impacts of Institutions on Behavior

In the Northian model, it is assumed that the legislated institutional framework within which economic activities take place either inhibits or facilitates the activities of the actors. Laissez-faire arrangements facilitate the formation of perfect knowledge and rational calculations. On the other hand, legislation such as the

Poor Laws, Settlements Acts, usury laws, sumptuary laws, and trade prohibitions, inhibit the formation of perfect knowledge, pervert rational calculations and expectations, constrain wealth-seeking, and constrict the geographic area which the market encompasses.

Obviously, the above economic laws and their underlying assumptions had to be deduced by Sir Dudley from his conceptualized reality. In this sense it may be said that certain aspects of Sir Dudley's conceptualized reality constitute the sources of his economic laws and their assumptions.

Sources of the Economic Laws and Underlying Assumptions

The economic laws in Sir Dudley's model have their sources in his experiences as a factor of the Levant Company, and as a wealthy landowner in England. From his description of the Besastein, or auction-like marketplace in Constantinople, it is obvious that the Besastein contained a bidding process in which a mutually acceptable (i.e., market-clearing) price was established between buyers and sellers. Sir Dudley's observations on the workings of the Besastein, then, are the source of his economic law that the market generates a price which equilibrates quantities demanded and supplied.

Sir Dudley's economic law of the equilibration of the national output to the wage rate was derived from his experiences as an English landowner. Since the wage was a primary cost of agriculture and manufacturing, and since these activities were financed largely from past rents and profits, then the level of production tended to fluctuate inversely with the wage rate, the exact mechanics of which has already been outlined in detail earlier.

The assumptions underlying Sir Dudley's economic laws also had to be deduced from his conceptualized reality. Sir Dudley's experiences in and knowledge of Turkey and England had taught him that people are only as industrious as their socioeconomic and physical environments force them to be. The socioeconomic environment of the Ottoman Empire had illustrated to him that laissez-faire policies and institutional arrangements were an efficient engine of capital accumulation, and a powerful inducement to do work. On the other hand, the regulatory acts which governed activities in England illustrated that mercantile policies and arrangements could and did stifle capital accumulation and work-incentives. Work was not absolutely essential to the survival of those people who could depend on parish relief to support them, and so they failed to plan carefully for unforeseen eventualities. Even the mildness or harshness of the physical environment conduced

to instill in people certain attitudes towards work. The following passage makes it clear that Sir Dudley had been considering all these factors when constructing the economic laws of his model:

In the Countries about Constantinople, are many Villages; some inhabited by Turks, and some by Christians only. And, of those Christians, some are privileged upon Account of keeping the Grand Signior's Woods, from whence the Serrail and City are served with Water. This Privilege exempts from the perpetual Poll of about 20 s. per Ann. and also allows them to cut and sell Wood: So that, whenever they are in Want, it is but carrying a Load of Wood to the City, and they have it. The other Christians, that live by Husbandry, pay the Head Money, and have nothing to sell for raising it, but, the Product of their Labour, Corn, or Manufactures. And . . . by residing and conversing among them . . . [I have found] that there is no Comparison between their Conditions; the latter are so much better provided and clean in their Houses than the others that are so privileged. The Reason is, that the Christians, at large, know what they must trust to, viz. their Wit and Labour in their Callings; and they ply them accordingly, which, in Process of Time, breeds them to an habitual Industry, which sets them in a good Condition and beforehand. Whereas the others live without any Spur, and void of Providence or Forecast, and are, consequently, dull, stupid, and wanting of all Things.

The Irish are, in some Measure, a Proof of the same Thing, for their Country is grassy, and feeds a World of Cattle, and all the Care that is taken for Food, is to milk the Cow when any one is hungry: and their Houses, Habits and Customs are sluggish and nasty, and their Persons dull to Extremity.

In England, see to the fat Plains or Fens, where the Poor live upon the Commons, having Pasturage of Cattle for little or nothing, and you will find the Irish Effects upon them. Whereas in the barren Countries, where a Crow is

almost starved, the People are spritely and mercurial, being forced to look out more sharp for their daily Food.²

Summary

Sir Dudley's analysis of the economy of England was based upon the operation of his model of his conceptualized reality. The operation of his model could not have been accomplished without the motive power of economic laws. These laws and the assumptions which underlay them were deduced by Sir Dudley from his conceptualized reality.

²Roger North, A Discourse of the Poor, pp. 39-40.

CHAPTER VI

FAILURE TO ESTABLISH A PARADIGM

Sir Dudley North's economic writings and oratory not only failed to establish a paradigm, they also failed to attract any serious emulators or admirers at all during his lifetime and for more than a century after. At a time when a spectrum of conceptually less rigorous work enjoyed articulation and debate, it is singular that Discourses Upon Trade seems to have existed in a vacuum. North's Discourses Upon Trade was published three months after his death, but the economics contained within it appears never to have been acknowledged in any way by any of his contemporaries, most notably Sir William Petty, Sir Josiah Child, John Locke, and Nicholas Barbon, even though they had traveled in contiguous circles in politics, business and high society, and all had known each other personally and professionally in varying degrees of propinquity or remoteness, and all wrote economics. Why is it that a scientific economic model of capitalism failed to establish a scientific economic paradigm during the Scientific Revolution? On the face of it, this would seem to be an absurd improbability.

Yet there can be no question that Dudley North's economics failed in this respect. North's economics was

at serious variance with all legitimized claimants to orthodoxy. There was no clear reason for North's contemporaries to have taken him seriously, had they been disposed to enter into economic dialogue with him during the 1680s; his theories and models did not have sufficiently recognizable continuity with respect to the normal nexus of economic discussion.¹ Mercantilist writers advocated exchange controls, prohibition of specie exports, prohibition of competitive imports, sumptuary laws, and interest rate controls; that is, public goals were to be achieved by constraining most private motivations, rather than by giving them wide latitude for actualization. North's economics, then, constituted an alien system of axioms, theories, models, and policy prescriptions, which was diametrically at odds with the prevailing traditional wisdom of the mercantilists. In this sense, mercantilism and the economics of Dudley North were completely disjoint, and this consideration obviously plays a role in the failure of North's economics to establish a paradigm. Further, North's economic theories and models were, in large part, products of his experiences in the capitalist institutions of the Ottoman Empire, institutions which were in some key respects

¹Kuhn, Scientific Revolutions, pp. 75-76.

significantly different from their counterparts in England, as has been mentioned previously. This consideration bears on the failure of North's economics too, but the above factors by themselves are insufficient to explain such an improbable outcome.

The failure of North's ideas and oratory had as much to do with the intelligencias' perceptions of North's political machinations, as with any other factor. Although Sir Dudley had no personal political aspirations of his own, his highly political brothers did nevertheless succeed in maneuvering him into the political arena prior to the Revolution, with the result that the liberal intelligencia, and not a few conservatives as well, came to perceive Dudley North to be one of the more designedly ruthless, dangerous, and reactionary conservatives who was active within English politics during the period surrounding the Glorious Revolution of 1688. It might be said that North's political activities obscured his economics. This notion can be decomposed into two considerations: (1) the British recoinage debate and North's political and financial confrontation with Sir Charles Duncombe, a leading financier in London; and (2) North's official political posts held during the 1680s, particularly as Sheriff of London and Middlesex during the Whig riots of 1682-1683.

The British Recoinage Debate and the
Confrontation between Dudley North
and Sir Charles Duncombe

In order for Sir Dudley's economics to have been accepted by his contemporaries, it would first have had to receive a fair and unbiased hearing. One instrumental reason why it did not stand any serious chance of this, has to do with Sir Dudley's role in the Great Recoinage debate. Specifically, he was guilty of the appearance of special pleading.

There were noteworthy differences between England and Turkey with respect to the institutionalization of banking functions. In Turkey, the wealthiest merchants accepted money for deposit and investment, and made loans; other than these arrangements, there were no banks. Specie mines in the empire were few and relatively insignificant, and there was no mint for the manufacture of large coins. In England, however, the early seventeenth century saw an alienation of the merchant class from banking functions, and the ascendancy of goldsmith banks. Throughout the latter half of the seventeenth century, English merchants typically made large deposits of specie with goldsmiths, and then channelled large transactions through them utilizing written receipts. Merchants thus considered goldsmiths to be the safe-depositories of their metallic

money. Goldsmiths, however, tended to operate on a fractional reserve basis, and this was not generally understood by many depositors at the time. Fractional reserve banking practices were facilitated by the state policy, initiated in 1666, of having the Mint of London coin precious metals free of charge. The free coinage policy essentially subsidized the activities of the private goldsmith banks.

North was alarmed by the banking arrangements in London, and this at first made him appear as a bumpkin in the eyes of his peers:

He found divers usages in London very different from what had been practiced, in his time, there, or in any other place where he had lived: as, first, touching their running cash, which, by almost all sorts of merchants, was slid into goldsmiths' hands; and they themselves paid and received only by bills; as if all their dealings were in banco. He counted this a foolish, lazy method, and obnoxious to great accidents; and he never could bring himself wholly to comply with it I remember, he hath come home . . . in great amazement at his own greatness; for the banking goldsmiths came to him upon the Exchange, with low obeisances, "hoping for the honour"--"should be proud to serve him," and the like; and all for nothing but to have the keeping of his cash. This pressing made him the more averse to that practice; and, when his acquaintance asked him where he kept his cash, he said "At home; where should he keep it?" They wondered at² him, as one that did not know his own interest.

²Roger North, The Lives, 3:102-103.

North's alarm of and aversion to London's banking practices of the 1680s were rooted in his deep suspicion of the goldsmiths' motives and machinations in the spheres of domestic and foreign policy. He believed that the goldsmiths, operating as a coherent financial group, were politically arranging a recoinage proposal which would transfer vast money wealth into their hands from society at large, in return for various political loans and remunerations:

There was a law passed, or rather continued, this parliament, called the coinage. This was a certain tax laid to pay for coining money; whereby any man, who brought into the mint bullion, took out coined money, reduced to sterling, weight for weight. Sir Dudley North was infinitely scandalized at the folly of this law, which made bullion and coined money par; so that any man might gain by melting; as when the price of bullion riseth, a crown shall melt into five shillings and sixpence; but, on the other side, nothing could ever be lost by coining; for, upon a glut of bullion, he might get that way too, and, upon a scarcity, melt again; and no kind of advantage, by increase of money, as was pretended, like to come out. The lord treasurer gave some of the banker goldsmiths, and Sir Dudley North, a meeting. Charles Duncomb, a great advancer, had whispered somewhat in his lordship's ear, that made him inclinable to the bill. Sir Dudley North reasoned with them against it beyond reply; and then the argument was, "Let there be money, my lord, by G--d let there be money." The reasons why this scheme prevailed, were, first, that the crown got by the coinage duty; next, that the goldsmiths, who gained by the melting trade, were advancers to the Treasury, and favourites.

³Roger North, The Lives, 3:166-167.

In the case of Sir Charles Duncombe, a long-time pre-eminent goldsmith banker and one of the wealthiest financiers in England, North's suspicions were well founded.⁴ Duncombe, in retrospect, was a shrewd criminal; he used his private wealth and power as a leading financier, and his public powers as receiver of Customs and cashier of Excise, to defraud the government in many ingenious ways.⁵ Through his adroit manipulation of legalistic technicalities, he "achieved real eminence in the fine art of being always found out and never once convicted."⁶ Duncombe's connections in the Treasury had brought him early warning of the impending Stop of the Exchequer in 1672, and he had thereby escaped the losses that fell on many goldsmiths, who had been buying Exchequer Bills for specie.⁷ The goldsmith bankers lost just over one million pounds from this default on government securities, but Duncombe escaped unscathed, and

⁴David Ogg, England in the Reigns of James II and William III, Oxford at the Clarendon Press, Oxford, 1957; p. 88.

⁵Ogg, James and William, pp. 88-89.

⁶Ogg, James and William, p. 89.

⁷David Ogg, England in the Reign of Charles II, Second Edition, 2 volumes, Oxford at the Clarendon Press, Oxford, 1956; 2:448-449. Also see Ogg, James and William, p. 88.

emerged from the 1670s as the predominant and politically most powerful goldsmith banker of the latter seventeenth century. Duncombe and the goldsmiths loomed large in an economic problem which haunted North: clipping.

For years, the mint price had undervalued silver in relation to gold, resulting in the private profit motivated export of silver and import of gold.⁸ The imported gold would be coined free of charge, that is, at the public expense by means of a general tax, and used to purchase scrap silver, which was in turn exported for more gold, thus keeping this trade going.⁹ The exported silver consisted mainly of clippings from the unmilled edges of old silver coins, which were usually irregular in weight and shape.¹⁰ Clipping and melting became a minor industry.¹¹ It has been estimated that between 1672 and 1696, approximately two million pounds had been clipped from England's coinage, for this trade in which the goldsmiths necessarily played an integral part.¹² Clipping deeply confounded and disturbed Sir Dudley North, and the

⁸Ogg, James and William, p. 422.

⁹Ogg, James and William, p. 422.

¹⁰Ogg, James and William, p. 422.

¹¹Ogg, James and William, p. 422.

¹²Ogg, James and William, pp. 422-423.

ongoing public political debate on the clipping issue placed him in direct confrontation with the established finance capitalists and financial groups of England. Though it would provoke the penning of Discourses Upon Trade, this was a confrontation North was to lose.¹³

The extent of clipping in England "infinitely scandalized" Dudley North because he was a strict metallist; that is, he firmly believed in what Schumpeter has called theoretical and practical metallism. Theoretical metallism asserts that it is logically necessary for money to consist of or be convertible into specie, so that the logical source of the purchasing power of money is the purchasing power of the specie, independent of its role as a definitional monetary unit.¹⁴ North spoke from the viewpoint of theoretical metallism when he described debasement as a cheat, and clipping as a loss.¹⁵ Debasement lowers the pure specie content of the coin, and clipping removes weight directly; in either case, the recipient of debased or clipped coins is defrauded of some amount of precious metal, and hence is

¹³Roger North, The Lives, 3:168-170.

¹⁴Schumpeter, History of Economic Analysis, p. 288.

¹⁵Sir Dudley North, Discourses Upon Trade, p. 32; and Roger North, The Lives, 2:444.

cheated of some amount of purchasing power. Practical metallism asserts that theoretical metallism should form the basis of all monetary policy decisions.¹⁶ North advocated practical metallism when he opposed debasement as monetary policy, and proposed the recoinage of clipped money.¹⁷ Theoretical and practical metallism need not necessarily go together.¹⁸ One can be a theoretical metallist, and yet advocate debasement as an appropriate monetary policy to thwart specie exports; this characterization fits many of the mercantilist writers.

However, in taking the stance of practical metallism on the issue of clipping, and in his insistence that the recoinage allow the losses to fall on the holders of clipped and debased monies, and that there be a coinage fee at the mint as well, Sir Dudley North invited a political and economic contest of wills with Sir Charles Duncombe and the goldsmith bankers, and alienated himself even from the great merchants who were their clients and financial-group associates. North's method of recoinage would have placed the incidence of the loss squarely onto

¹⁶Schumpeter, History of Economic Analysis, p. 288.

¹⁷Roger North, The Lives, 3:168.

¹⁸Schumpeter, History of Economic Analysis, p. 289.

these groups. In Discourses Upon Trade, North says this very plainly.¹⁹

To Duncombe, the goldsmiths, and the directors of the monopoly trading companies, a great deal of money wealth stood to be gained or lost by them in the method of recoinage; the method had political power implications as well. Duncombe's proposal was to cover the loss by a public tax, allowing six months time for the holders of clipped and debased monies to bring it to the mint and exchange it for new pure coin of equal face denomination.²⁰ This would have amounted to a transfer of money wealth from society at large to the goldsmiths and great merchants, who were deliberately producing and accumulating inordinately large stocks of clipped and debased coins in anticipation of the adoption of Duncombe's method of recoinage. Using Ogg's estimate of the value of clipping for the period 1672-1696, and Letwin's breakdown of England's money supply (into gold and silver, milled and hammered, light weight and full weight, in hoard and in circulation), the clipping and melting activities of the goldsmiths could have cyphoned into their purses as much as eleven percent of England's

¹⁹Sir Dudley North, Discourses Upon Trade, pp. 32-33.

²⁰Roger North, The Lives, 3:172.

end-of-period metallic money supply.²¹ This is fairly close to North's own estimate of clipping at fifteen percent.²² When the coins from which two million pounds had been clipped were taken to the mint for recoinage, the recoinage tax would have then enhanced their value by another two million pounds, thus potentially placing an upper limit of twenty-two percent of England's metallic money supply into the hands of one consortium of capitalists and financiers, that is, into the hands of one financial group for which Charles Duncombe was senior spokesman.

An income transfer of the magnitude of that implied by Duncombe's recoinage proposal required the cooperation of the very highest levels of the legislative, executive, and judicial branches of government, and would have constituted a significant inroad to the subordination of the English government to the will of financiers of Duncombe's ilk. High government officials such as the director of the Treasury and the king sanctioned Duncombe's proposal as a desirable, if circuitous, method of funding the problematic budgetary deficits of the king.

²¹Letwin, Origins, p. 267; and Ogg, James and William, p. 422.

²²Sir Dudley North, Discourses Upon Trade, p. 32.

North was widely believed to possess vast money wealth, and his proposals could easily have been interpreted by the members of this financial group as a bid for supremacy within the financial and political authority hierarchy of England, because the implementation of North's recoinage proposals would have improved his wealth status relative to theirs; the group's large, growing holdings of clipped and debased monies would be reduced to the intrinsic value of their pure specie content, by the adoption of North's proposal. North, however, appears to have categorically refused to accept such coins, and did all his dealings in weight and assay. As has been mentioned before, Dudley North was a very secretive man. He was reputed to have vast money wealth, and certainly must have had, judging from his life style and business dealings in England; but it is entirely conceivable that the other English financiers and financial groups had not even an approximate guess as to the size and composition of North's money wealth. Its size still remains unknown to this day, but its composition can easily be deduced: he held mint-condition Venetian chequens and Dutch florins in especially high esteem, and it would be reasonable to suppose that he would have brought home with him chests filled with mint-condition pure coins; and he kept his

money "At home; where should he keep it?"²³ As a wealthy, secretive, and inscrutable financier, North was a volatile and unknown quantity in an important and delicate political machination.

Therefore, the legislation of North's recoinage proposals could have caused a shift in the apex of financial and political power relations among the class of finance capitalists and among financial groups, and this potentiality would not have escaped notice by Petty, Child, Locke, and Barbon; this potentiality conduced to the interpretation that Sir Dudley's proposals (and later his writings) represented nothing more than the special pleading of a bumptious barbarian, and could therefore be entirely omitted from any inventory of serious contemporary economic thought.

Incidentally, the political confrontation between Duncombe and North is also the most probable basis for Roger's strong suspicion--what Letwin calls the myth--that Discourses Upon Trade was deliberately politically suppressed. Judging from the above considerations, a widely enough sustained distribution of North's tract could have eventually led to criminal charges against Treasury officials, Duncombe, and many goldsmith bankers;

²³Roger North, The Lives, 3:102-103.

his tract also could have instigated impeachment indictments against some Members of Parliament.

North's Official Political Posts
during the 1680s

There exists another very important factor in the rejection of Dudley North's economics: his high political profile and notoriety in London during the 1680s.

Upon returning to London in 1680, North very quickly became embroiled in the recurrent political crises surrounding the government of Charles II. At this time, the North family was already a highly visible part of the Tory faction, or conservative political party. Dudley's oldest brother, Sir Francis North, was the most powerful chief justice in the land, and Lord Keeper of The Great Seal of England. Roger North was also a visible member of the conservative faction, being a King's Counsel, and holding the honorific post of Queen's Attorney General.

Lord Keeper Francis North was among the major conservative writers of the latter half of the seventeenth century. In 1673, he was elected to Parliament, and named Attorney-General. Two years later, he was named Chief Justice of the Court of Common Pleas, a post he held for eight years. He gained high political notoriety among the liberal factions by helping to write a royal proclamation

against tumultuous petitions; the House of Commons prepared to impeach him for this, but their preparations were never actualized. In 1682, Francis North was appointed Lord Keeper of the Great Seal of England; this was then the second highest position in England.²⁴ Chief Justice Jeffreys, another important and very powerful conservative ideologue, irritated and worried Francis North, because Jeffreys' views were extreme in comparison to his own more moderate conservatism; however, Parliament tended to lump together Jeffreys and Francis North as Tories of the same stripe. Largely because of Jeffreys' extreme methods, Francis and Dudley North became associated with the most extreme possible configurations of Tory political philosophy. Although this constituted a misunderstanding of Francis North's true political beliefs, it is nevertheless probably appropriate to say that Sir Dudley's political views were more in line with those of Chief Justice Jeffreys than with those of his eldest brother. Therefore, it will be useful to briefly survey the Tory political thought of that period, and the political debate between the liberals and the conservatives.

²⁴Alan Peter Kimmel, English Conservative Political Thought, 1678-1688, unpublished dissertation, Ohio State University, 1976; p. 2.

There were three major influences apparent in Tory political thought: the divine right theory, the English Civil War, and the nature and role of law. The divine right theory asserted that English kings were empowered to rule by God, and therefore needed no other sanction; this power was absolute. In the seventeenth century, the divine right theory faced opposition from those who thought the monarch's powers should be limited. The English Civil War was conceptualized by the Tories as a time of illegal rule; they compared the liberal Whigs of the 1670s and 1680s to the rebels of the 1640s and 1650s. The nature and role of law in society was also a point of hot debate between the Whigs and Tories. The conservative Tories believed that all law originally emanated from the king; although the king's powers were absolute, moderate Tories such as Francis North believed that the king must work through the law, and was in some cases limited by the law; reactionary Tories such as Jeffreys and Dudley North, however, believed that the king had the power to act outside the law.²⁵ In this sense, Sir Dudley North was an extreme royalist:

²⁵Kimmel, English Thought, pp. 6-7.

Extreme royalists argued that the king can dispense with the law in cases of necessity, and that he has the power to determine when a case of necessity exists.²⁶

Tories believed the king was sovereign; that is, he was not under the authority of any other human being. The Whigs rejected this argument, and favored a mixed monarchy, in which Parliament and the king shared sovereignty. The Whigs wanted to limit the king's powers to act beyond the law or to nullify law, to conduct foreign policy, to name his own ministers and officers, and to appoint and remove justices. Tories construed these desires as an invasion of the prerogatives of the crown.²⁷ Liberal philosophers such as John Locke believed that there was an implicit social contract between the king and society; the Tories rejected this notion.²⁸

It was within the context of this great political and philosophical confrontation that Discourses Upon Trade appeared. Dudley North's economics had been formed in the extreme royalist institutional framework of Kiuprili's Ottoman Empire, and it had passed the acid test of 'goodness of fit' in that context. North genuinely

²⁶Kimmel, English Thought, p. 18.

²⁷Kimmel, English Thought, p. 37.

²⁸Kimmel, English Thought, p. 29.

believed that any democratic encroachments upon the devine right of kings constituted anarchy, and this set him permanently appart from the mercantilist orthodoxy and the liberal philosophy.

From 1681 through early 1688, variously at the urging of prominent conservative leaders (and his brothers) or the beckoning of the monarch, Dudley North held several governmental posts, including Sheriff of London and Middlesex, Commissioner of Customs, Director of the Treasury, and Member of Parliament as a conservative in the House of Commons. He became a hated and feared enemy of the various liberal political factions, particularly the Whigs, and, in the process, even managed to alienate himself from many moderate conservatives as well.

Sir Dudley's political career began under a cloud of suspicion. Lord Chief Justice Francis North first proffered Sir Dudley into the political arena by asking the head of the Treasury if he would recommend Sir Dudley to a post in Customs, in 1681. This was perceived by the Whig director of the Treasury as an attempt by Francis North "to palm his brother upon him."²⁹ Shortly after this, the mayor and aldermen of London approached Dudley North, probably at the urging of Chief Justice Jeffreys,

²⁹Roger North, The Lives, 3:110.

with the idea of holding one of the two posts of Sheriff of London and Middlesex.³⁰ At first averse to this idea, he allowed himself to be talked into it.³¹ The year 1682 was a critical one for the political struggle between the liberal and conservative factions in London; the Whigs are said to have staged several major riots in London in late 1682 and early 1683.³² North's nomination for Sheriff was hotly contested by the liberal City Companies, which were corporations of merchants and capitalists.³³ Many leading Whigs were convinced that Francis North and Charles II had conspired to make Dudley North Sheriff, in order to persecute the Whigs and suppress political turmoil. An obviously rigged election was staged, the exact details of which have been lost, and North obtained some kind of a majority through the legalistic disqualification of some

³⁰Roger North, Examen: Or, an Enquiry into the Credit and Veracity of a Pretended Complete History; Shewing the Perverse and Wicked Design of it, and the Many Falsities and Abuses of Truth Contained in it. Together with Some Memoirs Occasionally Inserted., printed for Fletcher Gyles against Gray's-Inn Gate in Holborn, London, 1740; p. 601.

³¹Roger North, Examen, p. 601.

³²Ogg, Charles, 2:636.

³³Ogg, Charles, 2:637.

liberals' votes; he became Sheriff in a hurricane of controversy.³⁴ This was accounted to be a significant political victory for the conservative faction and the king.³⁵

As Sheriff of London and Middlesex, Dudley North acquired a notoriety that was to follow him throughout the rest of his life, and he gained a reputation for unscrupulousness which would cast an impenetrable shadow over Discourses Upon Trade. Chief Justice Jeffreys, who was a fiery reactionary and was prone to passing lengthy prison sentences or death sentences for activities of political opposition, may have urged Dudley North to use his authority as Sheriff in ways so as to crush the liberals. Whether or not at Jeffreys' urgings, apparantly North was willing to do this. As Sheriff, North had the power to make formal accusations, choose juries, and carry out sentences. It appears that he used these powers to round up liberal ringleaders, stack juries against them, and hang them. North's response to the outbreaks of civil disobedience which occurred in London in 1682 is admirably characterized in Roger North's Examen; when Dudley was told that Charles II expected his Sheriffs to prevent the

³⁴Ogg, Charles, 2:637.

³⁵Ogg, Charles, 2:637.

intended Whig riot of 17 November 1682, North gained an audience with the king:

Sir Dudley North, the elder Sherriff, stepped forwards and said that, "having his Majesty's Command, and a little Assistance in Reserve, to be used if Occasion were, they doubted not but to take away a Faggot from any one that should pretend to light it." That was his Levantine Manner of expressing himself. The King heard this with the greatest Satisfaction imaginable; and, turning to the Lord Chancellor, "look you there, my Lord," said he. And his Lordship then asked Mr. Sherriff North, "how he proposed to do this?" The Sherriff answered, "that they would have a Company of the City Trained Bands in the Exchange, to be ready to assist if Need were; and, if his Majesty so pleased, a Company of his Horse-Guards might be ready without Temple-Bar, that, in case any Disturbance was considerable, might be sent for to assist in the quelling it"

. . . This frank and clear Declaration of the City Sherriffs was so opposite to the undutiful Dealing of their Predecessors the former Year, and agreeable to the King's own Judgment and Expectation, that³⁶ it filled him with Content as to this Affair.

In Turkey, these tactics would have appeared as normal political process, but in late seventeenth century London, they constituted a shocking display of police force, which disturbed liberals and conservatives alike. Some Whig leaders (including the powerful Earl of Shaftsbury, who was John Locke's patron) even chose to leave the country, rather than to face the police powers of Dudley North.

³⁶Roger North, Examen, pp. 579-580.

Dudley North tended to disturb normal English institutional arrangements wherever he went. He bought stock and a directorship in the Africa Company, and proceeded to shake the theives out of the Company's London-based operations, as he had previously done with the Levant Company's factor house in Constantinople.³⁷ He fired a ship's captain who was working for the Africa Company; the captain became so irate that he drew his sword and attempted to stab Dudley North, but Sir Dudley used his walking cane to parry the thrust, and then clubbed the man unconscious.³⁸ Dudley North began to gain the reputation of being very unsociably direct, in any context, to the point of ruthlessness. When he was later made Director of the Treasury by Charles II, he immediately began to reform the Treasury's accounting methods and outpayments practices, so as to ensure better accountability of funds; in the process of doing this, he created a political scandal by accusing the Admiralty of mismanagement of funds within the Royal Navy.³⁹ When Charles II died in 1685, North went back to head the Customs house, and reformed their accounting methods,

³⁷Roger North, The Lives, 3:106-108.

³⁸Roger North, The Lives, 3:109.

³⁹Roger North, The Lives, 3:154-156.

amidst hot debate.⁴⁰ He was then chosen by James II to serve as a Member of Parliament in the House of Commons.⁴¹ James II was so uniformly unpopular with both liberals and conservatives alike, that this served to alienate Dudley North from everyone except his immediate family.

After the Glorious Revolution of 1688, the victorious liberals launched a serious political attack against Sir Dudley North. For his role in the violent suppression of the Whigs in 1682-1683, he was formally charged with murder, and the prosecution asked the court to hang Dudley North and confiscate all his wealth.⁴² However, to the liberals' surprise, he was acquitted.⁴³ After this ordeal, he went back to trading through the Levant Company's house in London, but due to frictions, the nature of which is not known, he had an irreparable falling out with the other directors.⁴⁴ Finally, he resigned himself to his current notoriety and secluded himself with his family, devoting his time to his physical experiments, his

⁴⁰Roger North, The Lives, 3:159, 165.

⁴¹Roger North, The Lives, 3:160.

⁴²Roger North, The Lives, 3:182-183.

⁴³Roger North, The Lives, 3:192.

⁴⁴Roger North, The Lives, 3:186-187, 221-222.

woodshop and iron forge, and his study and library.⁴⁵ Soon afterward, it became locally rumored that he spent so much time at his iron forge because he was clipping old coins, and minting debased forgeries; no crueller and more humiliating rumor could have been tailor-made for Sir Dudley North by his bitterest enemies.⁴⁶ It was a dejected but not yet beaten Dudley North who philosophized to Roger while looking out at the streets of London from a high steeple-top:

When we were upon Bow Steeple, the merchant [i.e., Sir Dudley North] had a speculation not unlike that of a ship, in the bay of Smyrna, seen from the mountains. Here the streets appeared like small trenches, in which the coaches glided along without any unevenness as we could observe. "Now this," said he, "is like the world. Who would not be pleased in passing so equably from place to place? It is so when we look upon great men, who, in their courses, at our distance, seem to glide no less smoothly on; and we do not perceive the many rude jolts, tossings, and wallowings they feel; as whoever rides in that coach feels enough to make his bones ache, of which, to our notice, there is no discovery. And farther," said he, "let not the difficulties, that will occur in the way of most transactions, however reasonable, deter men from going on; for here is a coach not one moment free from one obstruction or other; and yet it goes on, and arrives, at last, as was designed at first."⁴⁷

⁴⁵Roger North, The Lives, 3:201-222 passim.

⁴⁶Roger North, The Lives, 3 216.

⁴⁷Roger North, The Lives, 3:208-209.

Dudley North had been reprimanded and ostracized by his peers, but he remained spiritually undeterred, drawing upon the love of his wife and his children (whom he adored), and the understanding of his ever-faithful and attendant Roger. He began to spend long hours in his library and study, bending his energies to the formalization of Discourses Upon Trade and his notes concerning the Poor Laws.⁴⁸ Before this task was completed, however, he died unexpectedly on 31 December 1691, at the comparatively young age of fifty. Discourses Upon Trade was published three months later and became an instant obscurity. Its sequel, addressing the Poor Laws, remained unfinished and unpublished. It is sad but true that the reigning intelligencia in England were glad and relieved to be burying Sir Dudley North.⁴⁹ Sir Dudley's political activities of the 1680s had played an integral part in casting a shroud over his economics.

Summary

The economics of Sir Dudley North was universally rejected by his mercantilist contemporaries in England, if

⁴⁸Roger North, The Lives, 3:213.

⁴⁹Roger wrote his brother's biography in the hopes that Sir Dudley might be "vindicated from obloquy." Roger North, The Lives, 2:285.

indeed they had ever payed any attention to it at all. His economics was sufficiently disjoint with mercantilism as to seem an alien system of obviously falacious notions, bearing no relation whatsoever to the traditional wisdom of the mercantilists. That this was so was, in part, a function of real institutional differences between England and Turkey; North modeled the price-generating market as it existed in Turkey, and this stylization of the market had no obvious real-world counterpart in England at that time. North's political contest with Sir Charles Duncombe served to further alienate him from his mercantilist contemporaries, and conduced to their interpretation that Discourses Upon Trade was a self-serving exercise in special pleading. Finally, the political notoriety he had gained as a result of his activities as Sheriff, and the recurrent scandals he became embroiled in as a result of his rigged election, his charges against the Admiralty, his murder trial, and the rumors that he was a clipper and counterfeiter, all conduced to obscure any possible contributions to economics which he might have made.

It is irresistable to speculate about what might have happened, had Sir Dudley North continued to live reclusively for another twenty or thirty years. He probably would have outlived his own political notoriety, and he may have gone on to further elaborate and integrate

the scientific economic constructs he had evolved. He might eventually have established a scientific economic paradigm himself; or his further work might have led to the later establishment of a scientific economic paradigm, prior to what became the classical revolution of Adam Smith. As it was, the scientific economics of Sir Dudley North became an obscure historical artifact, upon the premature death of its unique inventor.

CHAPTER VII
SUMMARY, CONCLUSIONS, AND SUGGESTIONS
FOR FURTHER RESEARCH

If the hypotheses presented in this thesis are considered to have substance, then it has been shown that Sir Dudley North was a highly cultured and intellectual Renaissance man. Although the earliest assignable date for Discourses Upon Trade is 1685, North is known to have written the essay on the specie market and flow mechanics before 1680, dealing with events of the 1650s through the mid-1670s. Dudley North authored the economic constructs contained within A Discourse of the Poor sometime in the last half of the 1680s. Therefore, for at least a few years before his death, he possessed a scientific economic model of his conceptualized reality of capitalism.

In light of this, anything at all that is an artifact of Sir Dudley North becomes a proper subject of inquiry for practitioners of the history of economic thought. The first scientific economics, the Principia Economica if you will, should be more than a museum curiosity, and less than a mystery. Sir Dudley's economics is a new frontier in the history of economic thought. Discourses Upon Trade and A Discourse of the Poor constitute a revolutionary evolution of economic thought, in the sense that this was

the revolution in economic thought that stalled when its visionary inventor died.

The foregoing epistemological analysis of the economic writings of Sir Dudley North has suggested several areas of further research, which shall be investigated over the coming years. The first, most obvious task, is the location and examination of the original rough notes of A Discourse of the Poor, in order to test beyond question the working hypothesis that the economic constructs within it were originally authored by Dudley North. In conjunction with this, it would be appropriate to examine the entire period of North family writings, which were kept by Roger North, and the Levant Company's correspondence with its factors in Turkey, in order to cull out the collected tracts, essays, notes, and correspondence of Sir Dudley North, for editing and publication. It would be interesting to critically examine the authorship of certain particular essays and tracts on accounting and mathematics, which have previously been attributed to Roger North. The Customs house books from which Dudley North generated calculations of excise tax elasticities should be investigated, as should his private library. In his biography, there are references to a map of Constantinople which he helped to draft, a Turkish-English phrase book and dictionary which

he compiled while in Constantinople, and a hand-corrected copy of Paul Rycaut's Ottoman treatise. All these items had been confiscated from him in Turkey, upon the occasion of his final departure; yet the map is said to have been located somewhere in England near the time of Roger's death in 1734. These items should be located and studied, if possible. It also might be useful for future students of economic thought if a comprehensive historical biography and epistemological analysis of Sir Dudley North and his economics were available; no such modern comprehensive secondary source yet exists.

It is sincerely hoped that enough of the genius of Sir Dudley North can be professionally recovered in time to appropriately celebrate the tricentennial year of its existence as one of the more obscure and yet important artifacts which historians of economics have possessed.

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