

INFLATION AND DEARTH IN THE SIXTEENTH CENTURY - THE MODERN ECONOMIC PERSPECTIVE: VALID OR MISLEADING?

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Here ye, here ye! Ye olde Gray metter is exercised in this review of the economy of sixteenth century England. Ms. Gray takes testimony from commentators as diverse as Shakespeare, sustainable developmentalist Douthwaite, and historian Outhwaite, who illustrate the behavioural ramifications arising out of the inflation crisis. In her quest to find the cause of this inflation, Rowena probes into farm enclosures, drunkenness, piracy, monopolistic middlemen, and militarism. She concludes that the most plausible cause was population growth and in so doing lays bare the continued relevance of economic history.

Nowadays, we all expect at least moderate rates of inflation and indeed some have described mild inflation as a socially acceptable and stabilising norm.¹ In sixteenth century economic history, what stands out both in contemporary and more recent comment is the dramatic response to fluctuations in prices and the speculation as to the causes and consequences arising thereof. This is because inflation was an extraordinary event in this period, the result of war or the extreme shortage of necessities. Historians have debated about the extent of the inflation and there is certainly some room for argument as there is a lack of accurate price information for most goods. Wiebe described the rise in prices as a '*preisrevolution*'² while others have claimed that, in comparison to the twentieth century, the changes experienced by the Tudors were not significant. Outhwaite, in the second edition of his book on the subject, points out that in the fourteen years since he penned the first edition, Britain had experienced as much inflation as in the whole of the sixteenth century.³ But, such a comparison is not necessarily useful, as the economy of the early

¹ Nigel Lawson, cited in Douthwaite, R., *The Growth Illusion* (Dublin, 2000. Previous ed. 1992) p. 63.

² Cited in Outhwaite, R.B., *Inflation in Tudor and Stuart England* (London and Basingstoke, 1982. First ed. 1969) p.11. From Wiebe, G., *Zur Geschichte der Preisrevolution des 16 und 17 Jahrhunderts* (Leipzig, 1895).

³ *Ibid*, p. 57.

modern period was vastly different to that which prevailed thirty years ago, where it was the oil crises that had such an inflammatory effect on prices. Plus, what is more important than the actual extent of inflation is people's perception of it, as this changed behaviour, decisions and attitudes. Both eras share an increase in social change and conflict, to which inflation, as a divisive force, was a contributory factor. This was portrayed by William Forrester in the 1540s when he said: "The Worlde is changeth from that it hath beene, not to the better but to the worse farre.... Unto the riche it maketh a great deale, but muche it marrethe to the Commune weale".⁴

One of the main reasons contemporaries gave for dearth was the enclosing of land by farmers and landlords. This was in spite of the fact that enclosure was not new to the Tudor period, as possibly one third of all enclosures had already been completed by this time and only about ten percent of enclosures occurred between 1500 and 1650.⁵ Indeed, there does not appear to have been widespread objection to landowners who erected boundaries only on their own land. It must be recognised that enclosure improved the efficiency and productivity of the land and represents perhaps one of the first moves towards a more market-based and business orientated type of farming. People writing at this time do seem to have distinguished between these 'good' enclosures and others that were thought to usurp the traditional rights of smallholders. These were cases where one landlord enclosed, for his own use, the land formerly held in common. From the many petitions to parliament on this issue, it is clear that this process aroused much popular opposition. Smallholders had previously been able to graze animals on this land and felt that enclosure violated their rights and took away an element of diversity from their livelihoods, which would make them more vulnerable in times of scarcity. Some truth can be found in the contemporary arguments, although it is not true to say that enclosure led directly to dearth or inflation. It was the labour economies that resulted from the switch from arable to pastoral farming that typically led to a fall in the amount of jobs available in rural areas.⁶ This also explains why many were forced to migrate to urban areas, where they were "compelled to fall, some to handicrafts, and some to day labour".⁷ Nevertheless, enclosure cannot be blamed for the persistence of dearth in the Tudor period, even allowing for these debates about the switch to pastoral farming, because land that was used for arable farming was often enclosed as well, especially in the latter half of the century, when grain prices were rising more rapidly. There are even

⁴ Cited in eds. Power, E. and Tawney, R.H., *Tudor Economic Documents, Pamphlets, Memoranda and Literary Extracts*, vol. III (London, 1965. First ed. 1924) p. 40.

⁵ DuPlessis, R., *Transitions to Capitalism in Early Modern Europe* (Cambridge, 1997) p. 66.

⁶ Ramsey, P., *Tudor Economic Problems* (London, 1968) pp. 20-1.

⁷ Crowley, R., *An Information and Peticion agaynst the oppressors of the pore Commons of this Realme*. From ed. Cowper, J.M., *The Select Works of Robert Crowley* (Early English Text Society, 1872) pp. 153-76.

some contemporary accounts in support of enclosure, such as that of Thomas Tusser from 1573, who advised that it led to higher yields and prosperity.⁸ Perhaps so much contemporary attention was focussed upon enclosure because it was one of the main questions on which landlords and peasants had contact and conflict, or because it was a visible reminder of the affluence of some in society, but it is less plausible than other arguments as a cause of the economic and social problems of the era.

Another frequently mentioned explanation for the economic problems of the sixteenth century suggested by the people of the time is that the bad harvests that led to shortage were the result not of random unfavourable weather conditions but of the punishments of a judgmental God. Various vices were cited as reasons for the onset of dearth, including Sabbath-breaking and drunkenness, and in 1563, a sermon warned, “if we in eating and drinking exceed when God of his large liberality sendeth plenty, he will soon change plenty into scarceness”.⁹ This explanation undoubtedly appealed to the crown and upper classes of England, as the 1500s was a time of religious change and zeal and the solution that this interpretation suggests (i.e. the improvement of the moral character of the nation) did not affect the policies or incomes of the government. The religious argument was extended further by writers such as Robert Crowley, to discourage the masses from engaging in violent protest at their dwindling economic fortunes, as it was considered morally wrong to question the king whose power and authority were derived from God. It was believed that through quiet opposition, God would note their suffering and provide for them as the nobility had failed to do.¹⁰ However, it is difficult to discover to what extent this exposition was accepted by those affected by inflation. It is likely that many did accept it at least in part, as in a pre-market society, God’s was the only invisible hand at work. This point demonstrates the limitations of economic history and the danger of looking at it out of its historic context, as a purely modern approach cannot fully explain attitudes to the economy that have grown out of a different paradigm of thought, namely the religious one. Today, economists assume that rational individuals seek to maximise utility- such an assumption is worthless in a world where souls are considered more valuable than property. Nevertheless, the study of economic history remains relevant, as an aid to the understanding of history,

⁸ Cited in Power, E. and Tawney, R.H., *Tudor Economic Documents, Pamphlets, Memoranda and Literary Extracts*, vol. III (London, 1965. First ed. 1924) p. 64. From eds. Herrtage, S.J. and Payne, W., *Five Hundred Pointes of Good Husbandrie* (English Dialect Society, 1878) pp. 140-6.

⁹ Walter, J. and Wrightson, K., ‘Dearth and the Social Order in Early Modern England’ in ed. P. Stack, *Rebellion, Popular Protest and the Social Order in Early Modern England* (Cambridge, 1984) p. 114.

¹⁰ Crowley, R., *The Danger of Sedition*. From ed. Cowper, J.M., *The Select Works of Robert Crowley* (Early English Text Society, 1872) pp. 131-50.

if nothing else. In any event, the sixteenth century was a time of increasing petitions to government, accompanied by enhanced state regulation and interference in economic affairs.

This last point is illustrated in part by the fact that the government attempted to regulate the activities of merchants and traders during the sixteenth century. This was because many felt that the greed of these groups of entrepreneurs had caused inflation and hardship that affected so many poorer people. Several sources from the period describe the unethical practices and profiteering of merchants, and of landlords in the property market. This included the increasing of rents and entry fees and the introduction and increased use of leases. Brinkelowe provides an early explanation of cost-driven inflation, in his *Complaynt*, when he says:

“This inordinate enhancing of rents... must needs make all things dear... for, as he increaseth his rent, so must the farmer the price of his wool, cattle, and all victuals, and likewise the merchant of his cloth, for else they could not maintain their living”.¹¹

A further example given of profiteering was the use of monopolies purchased from the state in the latter years of Henry VIII to raise prices,¹² while other merchants engaged in the practice of hoarding grain to depress supply and inflate prices (much as OPEC did in the oil market in the 1970s). A petition of Wiltshire craftsmen from 1614 demonstrates this point as it complains about middlemen “for their excessive buyinge hordinge and forestalling of Corne and other provisions which we truly knowe to be the originall cause of dearthe”.¹³ They felt that scarcity had been artificially created by the merchants for their own gain. This rationale was more typical of the grain-producing regions that exported much of their grain to urban centres, particularly in the Southeast, near London. There was some antipathy between grain producers and centres such as London, Bristol and Norwich, especially during times of want because at these times grain producers did not want to send produce to the urban areas, a problem which was exacerbated by the merchants’ manipulations of the market. Profiteering did unquestionably occur during the century under review but was not the cause of inflation, rather a symptom of it. Inflation benefits those who are quick enough to capitalise on it, at the expense

¹¹ Brinkelowe, H., *Complaynt*. From ed. Cowper, J.M., *The Complaynt of Roderyck Mors* (Early English Text Society, 1874) pp. 5-14, 16-18, 37, 48-53.

¹² Kennedy, P., *The Rise and Fall of the Great Powers* (London, 1989) p. 79.

¹³ Walter, J. and Wrightson, K., ‘Dearth and the Social Order in Early Modern England’ in ed. P. Stack, *Rebellion, Popular Protest and the Social Order in Early Modern England* (Cambridge, 1984) p. 116.

of those who are on fixed incomes or are slow to adjust to it. In the modern context, Douthwaite quotes Bach as saying that old people with few debts and fixed value assets lose proportionately more than young families with large debts, whose mortgage repayments will fall in value.¹⁴ Tawney and Stone have put forward the thesis that the aristocracy were amongst those who failed to recognise and adapt to changes in the economic conditions and that in the century 1540-1640, they diminished in importance compared to the rising gentry, who gained from their loss.¹⁵ Merchants then, as in every age, were in business to make money and the most that they can be blamed for is shrewd entrepreneurship rather than greediness, although the ethics of withholding grain from the general public when food is scarce are suspect. The proverb, “buy cheap, sell dear”, originated in the sixteenth century, demonstrating the beginnings of a shift in attitudes, towards private enterprise and opportunism, which would place greater emphasis on capital accumulation. A further example of how attitudes were changing can be seen in Shakespeare’s history plays, such as Richard II, where the usurper of the throne, despite being an unscrupulous character, is held up as a person who recognises and capitalises on an available opportunity.

The preferred argument of modern economists for the general increase in prices and consequent economic distress of many English people is that of the monetarist school.¹⁶ This asserts that the increase in the money supply following the influx of Spanish-American bullion (via piracy) and the successive currency debasements conducted by Henry VIII, especially the Great Debasement of 1544-51, had, by the quantity theory of money, no real effects on the economy and only a price effect. This is by no means the typical view that comes out of Tudor literature. It was expounded in the *Discourse of the Common Weal*, published in 1581.¹⁷ It is, however, a later Tudor conception, and the section in the *Discourse* that makes reference to it is probably an addition by Sir Thomas Smith, which Outhwaite suggests may have been influenced by the ideas of French philosopher Jean Bodin.¹⁸ A subsequent mention of this argument was made by the merchant Gerard de Malynes, in 1601, who outlined how “plentie of money maketh generally things

¹⁴ Douthwaite, R., *The Growth Illusion* (Dublin, 2000. Previous ed. 1992) p. 67.

¹⁵ Ramsey, P., *Tudor Economic Problems* (London, 1968) pp. 122, 127.

¹⁶ For example, Marshall, A., *Principles of Economics*, vol. I (London, 1898. First ed. 1890) p. 35.

¹⁷ Cited in eds. Fisher, H.E.S and Jurica, A.R.J., *Documents of English Economic History: England from 1000 to 1760* (London, 1977) pp. 486-9. From ed. Lamond, E., *A Discourse of the Common Weal of this Realm of England* (Cambridge, 1929) pp. 69, 79-82, 104.

¹⁸ Outhwaite, R.B., *Inflation in Tudor and Stuart England* (London and Basingstoke, 1982. First ed. 1969) pp. 24-5.

deare, and scarcity of money maketh likewise generally things good cheape".¹⁹ It has since been argued that the monetary factors may have acted as a catalyst to inflation and that it persisted due to other elements, namely rising costs (through rents), bad harvests (during the 1550s and later in the 1590s) and war, as well as population increase. The theory is an interesting one in terms of modern monetarist thought, given that it was proposed by the ultra-conservative Thomas Smith, who sought above all to maintain the *status quo*. Perhaps it signals an inherent conservatism in monetarism, as it does after all advocate a policy neutrality position in relation to fiscal manoeuvres and strict control of the money supply on the monetary side. However, some historians, such as J.D. Gould, have contested this hypothesis, saying that the theory does not hold for several reasons.²⁰ Among these is the fact that inflation existed prior to the influx of bullion and all prices did not rise in line with each other- those of necessities rose proportionately more than those of luxuries. Furthermore, the extra specie need not have had an entirely inflationary effect as some may have been soaked up by an augmentation in trade, particularly in urban areas that were growing steadily, reflecting an under-monetised economy prior to the sixteenth century.

Other modern explanations for the Tudor inflation focus on the huge increases in government expenditure during the period, mostly to finance military expeditions, an enlarged state administration and building projects. For instance, in 1513, total Treasury outgoings were £700,000, with over £600,000 of that being spent on the war with France. During the 1540s, the wars in France and Scotland cost over two million pounds, which was ten times the normal crown revenue.²¹ Luckily for Henry VIII, the English Reformation and Dissolution of the monasteries had doubled the funds available to the exchequer and monastic land was sold off at reduced rates. Other sources of finance included forced loans, the seizure of noble estates and the debasing of the coinage, which not only provided extra cash but also had an inflationary effect, which benefited the crown in its capacity as a borrower. This theory does seem to be borne out in the statistics for prices at the time, as the years of the greatest inflation do roughly correlate to the years when government expenditure, particularly for war, was at its highest, such as in the 1540s. There is then a levelling off in the data from the late 1550s until the 1580s, during which time Elizabeth did try to revalue the currency and built up surpluses in government

¹⁹ Cited in eds. Power, E. and Tawney, R.H., *Tudor Economic Documents, Pamphlets, Memoranda and Literary Extracts*, vol. III (London, 1965. First ed. 1924) p. 387. From de Malynes, G., *A Treatise of the Canker of England's Commonwealth* (1601).

²⁰ See Gould, J.D., 'The Price Revolution Reconsidered' in *Economic History Review* 17, no. 2 (1964) pp. 252-3.

²¹ Figures from Kennedy, P., *The Rise and Fall of the Great Powers* (London, 1989) pp. 76-7.

revenue. When, in the late 1580s, she increased expenditure in the order of two to three times, to fund the campaign in the Netherlands, inflation was seen to rise rapidly again. By the end of Elizabeth's reign, £500,000 was being spent annually, mainly on the struggle in Ireland.²² Empirically, this treatment does look like a convincing one, and it also makes good intuitive sense economically, representing an historic instance of government induced inflation. Inflation can be seen as the consequence of successive injections of money into the economy by the government in the form of soldiers' wages and payments to businesses in the timber, shipbuilding, tin and lead industries. This stimulated demand in these sectors and may have placed upward pressure on prices, thus crowding out private demand. The sale at bargain prices of monastic lands created a boom on the property market. The easier availability of credit facilitated this and further contributed to inflation. While this extra money coming into the economy represented an opportunity for expansion, because the economy of the sixteenth century was not very developed, the point of capacity constraint was reached much sooner and from then on prices and not real output were effected by injections.

The main long-term explanation for increasing prices and the one that accounts best for its continuance into the seventeenth century, is the "imbalance between the growth of population and agricultural output".²³ There is evidence from official records as well as literary sources that population was rising at this stage, for example the comments of John Bayker from 1538, "I think thayr were never moo peopple and fewer habitatyons".²⁴ The population increase pushed up demand for food and land at a time when it was difficult to expand supply of these factors. England was technically capable of supporting a larger population but took time to adapt, to bring more wasteland under cultivation and improve agricultural productivity. In the interim, small holders and wage earners suffered from a heightened cost of living during bad harvests due to shortage. The enlarged population could not all make a living on the land and migration was a feature of Tudor society.²⁵ Likewise, this placed pressure on the food supply because a smaller proportion of people produced their own food. The population argument is further bolstered by the price series from the mid-century which reveal a time of relative stability and even deflation. Fisher has linked this to a halt in population growth that

²² Figures from *ibid*, pp. 78-9.

²³ Outhwaite, R.B., *Inflation in Tudor and Stuart England* (London and Basingstoke, 1982. First ed. 1969) p. 50.

²⁴ Cited in eds. Power, E. and Tawney, R.H., *Tudor Economic Documents, Commerce, Finance and the Poor Law*, vol. II (London, 1965. First ed. 1924) pp. 302-5. From S.P. Henry VIII, vol. CXXI pp. 134-5 in F. Aydelotte, *Elizabethan Rogues and Vagabonds* (Oxford, 1913) pp. 145-7.

²⁵ Coleman, D.C., *The Economy of England, 1450-1750* (Oxford, 1977) p. 18.

was prompted by a flu epidemic following the bad harvests of 1555-6.²⁶ When population recovered from this, inflation was witnessed again. Real wages are thought to have declined during most of the sixteenth century, as nominal wages did not rise in line with prices, as Phelps Brown and Hopkins have shown.²⁷ However, these studies may have overstated the extent of this, as they looked at wholesale prices, which tended to rise faster than retail prices and ignored the fact that some wages were paid in food rather than money and so were not affected by inflation. Furthermore, as the prices of necessities and the cheapest cereals tended to rise most rapidly, people would undoubtedly have switched to consuming alternative foodstuffs. Population change can thus be seen as a primary factor in price movements, though it must be remembered that, whatever the hardships that faced people, there was no great crisis of subsistence- the inflation was fuelled by people's demands and abilities to pay inflated prices.

The contemporary arguments set out above give us insight into the thinking of people at the time and are products of their era. What is interesting from the modern perspective is the persistence of Tudor inflation, as it has now come to be an integral feature of developed economies, whereas it was unusual in the pre-industrial period. This suggests a new interpretation of the sixteenth century- that it was a time of economic growth and that inflation was an indicator of buoyancy. Keynes described this saying, "Never in the Annals of the modern world has there existed so prolonged and so rich an opportunity for the businessman, the speculator and the profiteer".²⁸ In other words, the possibility of development was created by the capital accumulation that resulted from the dissolution of the monasteries and the price increases. Perhaps if government had not been so concerned with war then more might have been achieved by way of increasing the general level of living in the land.

These days, economic history seems to have gone out of fashion. It appears that not many economists are thinking or writing on it. Unusual, given the fact that Alfred Marshall places such emphasis on history, race and culture as influences on economic affairs and given the importance of behavioural assumptions in economics, many of which must surely be as much a product of history as of sociological or anthropological factors. There are many intriguing anecdotes from economic history, and it may in certain cases, though not perhaps universally, provide valuable lessons for policy makers and economic theorists today. Any comparisons between life in

²⁶ Fisher, F.J., 'Inflation and Influenza in Tudor England' in *Economic History Review* 18, Second Series (1965) p. 125.

²⁷ Hopkins, S. and Phelps Brown, E.H., 'Wage Rates and Prices: Evidence for Population Pressure in the Sixteenth Century' in *Economica* 24 (1957) pp. 289-306.

²⁸ Cited in Rowse, A.L., *The England of Elizabeth* (London, 1950) p. 109. From Keynes, J.M., *Treatise on Money* II, p. 159.

the sixteenth century, for example, and that of the modern world, must come with a note of caution, as attitudes and perceptions can change radically from one generation to the next. However, one general principle that economists would do well to note is that the voice of the ordinary person is often a useful one to listen to. The typical individual will always have on an opinion on a social issue that they believe affects them, as the adage goes:

“The rate of unemployment is 100 per cent if it is you that is unemployed.”²⁹

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²⁹ James, S., *A Dictionary of Economic Quotations* (London, 1981).