Section 1

The Development of Marketing Thought: An Overview

1. Pre-20th Century Marketing Thought
2. Early Development of the Marketing Discipline
3. Historical Surveys of the Development of Marketing Thought

1

The Role of Marketing in Early Theories of Economic Development

Donald F. Dixon

Introduction

Why is the rich heritage of marketing literature so ignored in contemporary work? The earliest economic development literature stressed the significance of marketing in economic development. Yet is has been argued that theoretical work relating marketing and economic development could not have occurred until recent times "because marketing evolved as a technical and philosophical idea *after* achievement of a degree of economic development, it has not been viewed as an influence *for* development" (Bartels 1977, p. 211). This paper will demonstrate that from ca. 1500 to the mid 18th century, writers approached the subject of economic development from a macromarketing perspective, beginning with the state as a whole and treating marketing as a subsystem.

The period reviewed here is significant for three reasons: (1) it represents the emergence of analytical interest in national economic development; (2) the literature of the period stressed the role of marketing in economic development; and (3) recent work in economic history offers support for this position by demonstrating the crucial importance of marketing efficiency in economic development during this period.

First, 1500 is the earliest point in time that a body of theory concerning marketing and national economic development could appear. Although an analytical literature concerning marketing existed at the beginning of this period (Dixon 1978, 1979), intellectual concern with national economic development could not be anticipated prior to the emergence of nation states. In Western

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Europe the rise of nations, in which market-directed exchange represented a significant aspect of national well-being, marks the close of the Middle Ages, or very roughly, the beginning of the sixteenth century.

Once centralized states developed and began vying with one another for dominance, growth in national power became an obvious objective of national policy, so that determination of appropriate policy became a part of intellectual concern. Writers such as Machiavelli and Jean Bodin developed concepts regarding the political aspects of state building; the sovereign power of the state was seen as the appropriate instrument for promoting the interests of the nation, and an objective of the general well-being (rather than the interests of the individual) was sanctioned.

The second reason for the significance of the period under review is that the role of marketing in national economic development was widely recognized in the mercantilist literature which offered advice to the king with regard to economic matters. The core of such advice, an emphasis on the role of commerce, was not new; for example, a work written in 1436 (*The Libelle of Englyshe Polycye* 1436, p. 1) stated that "The trewe processes of English policie"

> is this, as who seith,[1] south, north, east and west
> Cherishe marchandise, kepe thamirale,[2]
> That we bee maisteres of the narowe see.[3]

It was clearly the sovereign's responsibility to establish policies to achieve national objectives; Saint Jean (1649) places commercial policy high on the list of the king's duties: "After the acts of Religion to God, and of submission to the superior powers of the earth, one of the first duties and of the greatest importance to the well-being of the State, is the regulation and maintenance of Commerce" (p. 3).

A third reason for the significance of the period considered here is that an analytical context for an examination of the role of marketing in economic development has been provided by modern economic historians. North and Thomas, noting that "Production for the market involves besides the production of the good the process of making various transfers until the good reaches the consumer" (1973, p. 93), argue that the driving force behind economic development in pre-industrial society is the decline in transaction costs. This decline in transaction costs was brought about as a result of economies of scale. During the Middle Ages scale economies were achieved mainly as a result of population growth, but from ca. 1500–1700 the rise of nation states provided the exogenous force. Moreover, during the Middle Ages improvements in the organization of factor markets proceeded more rapidly than did that of product markets, so that "the greatest gains that could be achieved during the early modern period were in improving the efficiency with which goods could be exchanged" (p. 93). Specifically, during the seventeenth century, "The reduced cost of using the market" was the main source of economic growth in England and the Netherlands (p. 150).

In brief, the period reviewed here provides both motive and opportunity. A body of literature concerning marketing existed at a time when interest in national economic development first arose. Economic historians suggest that the efficiency of product markets was the central factor in economic growth at this time. The large body of analytical literature which emerged in this period explicitly recognizes trade as the key element in national economic development.

Determinants of Economic Development

To organize the diffuse literature of the period under review so as to demonstrate the relationship of marketing and economic development, it is necessary to begin with a definition and framework of analysis into which the various elements may be placed. Here the term economic development is taken to mean a sustained increase in the real national output of goods and services, especially output per capita.

Analytically, an increase of output involves a shift of the nation's production possibility curve outward. Thus economic development means that although choices between "guns and butter" must still be made, each year it is possible to have more of both. Since output results from the application of labor and capital to available natural resources, it may be increased by the addition of one, or a combination, of these inputs. Alternatively, output may be expanded by an increase in the efficiency with which inputs are utilized, which may be derived from economies of scale, new technology or reductions in the cost of utilizing the market as an economic institution. It is the efficiency arising from lower costs of utilizing the market which is stressed by North and Thomas.

The mercantilist writers saw that the welfare of a nation, given appropriate natural resources, depended upon an increase in employment and investment. Population was not only sparse, but also tied to rural occupations, so that greater output required an increase in the employed labor force. An increase in investment required an increase in the monetary metals, but the amount of money in the world was seen as fixed, so that the problem was its division among nations. Thus national policy was to obtain a larger share; that is to "cunningly withdraw and bring to their own countries the money of the neighboring countries" (*Le Debat des Herauts* 1549, p. 64).

This was to be accomplished by means of a favorable balance of trade, which meant an emphasis upon commercial activity, so that the merchant and manufacturer played an important part in economic development. And, although these writers employed the term "merchant" for the actor, and "buying and selling," "merchandising," "traffic," or "trade," for the action, it is clear that the subject matter is marketing: "Trade is the Making, and Selling of one sort of Goods for another; the making is called Handy-Craft Trade, and the maker an Artificer; the Selling is called Merchandizing, and the Seller a Merchant" (Barbon 1690, p. 1). Furthermore, the role of the merchant was primary; Petty (1690, p. 256) noted that "there is much more to be gained by Manufacture than Husbandry, and by Merchandise than Manufacture," and Hume (1752, p. 52) remarked that merchants are "the most useful race of men in the whole society."

The following sections of the paper will examine the role of marketing in economic development by considering the merchant's impact upon the employment of each of the factors of production: natural resources, capital, and labor.

Natural Resources

Medieval writers saw the distribution of natural resources among regions as evidence of God's intention that men should trade with one another, and this heritage was sometimes apparent in the early mercantilist literature:

> God has ordained that no country should have all commodities but that the one lack, another brings forth . . . to the intent that men know that they have need of another's help, and thereby love and society to grow amongst all men the more. (Hales 1549, p. 62)

Another writer sees the result of trade as driving "all the nations of the earth to seek one upon another and thereby to be knit together in amity and love" (Cholmeley 1553, p. 20).

However, even though such sentiments appeared in sermons preached to congregations of merchants as late as the seventeenth century, the typical mercantilist author failed to accept the notion of mankind "knit together in amity and love." On the contrary, the distribution of natural resources became of interest because it had an impact upon a nation's power. An early indication of this is seen in *The Debate of the Heralds*, which contains a lengthy passage in which each party brags about the superior natural resources with which his respective country is endowed. Such statements were common in the mercantilist literature, and sometimes were accompanied by a claim of the ultimate power position – the resource base was so great that the nation was self-sufficient.

The concept of natural resources was clearly specified; typically the wealth of a nation was divided into two parts, "natural" and "artificial." Artificial wealth referred to manufactured goods; natural wealth was that "drawn from the very intrailes" of the earth, or "growing on the face thereof" (Roberts 1641, p. 60). A typical description of natural resources is provided by Mun (1621):

> The Realme of England (praised be God) is happily possessed of them both: as first, having great plentie of naturall riches, both in the Sea for Fish, and on the Land for Wooll, Cattle, Corne, Lead, Tin, Iron, and many other things for Food, Rayment, & Munition; insomuch, that upon strickt tearmes of need, this land may live without the help of any other nation. (p. 40)

It is interesting that neither the notion of diminishing returns nor the exhaustibility of resources seems to have occurred to these writers. Barbon (1690) states simply that "The Stock of a Nation (is) Infinite, and can never be consumed. … the Minerals of the Earth are Unexhaustable" (p. 11).

In such a context the role of marketing is to make these resources useful; it is

> by the means of Commerce and Traffike that those things whose plenty (otherwise without Traffike, and transport to other Countries, where such is wanting) would prove altogether fruitless, unnecessary, and peradventure prejudiciall unto the owners and possessors. (Roberts 1641, p. 61)

In brief, natural resources which have no use are valueless. It is trade which makes it possible to exchange surplus natural goods for the products of other nations which are useful. And, in turn, owners will do more to exploit natural resources. Roberts laments that "the true search and inquisition thereof, in these our dayes, is by many too much neglected and omitted," but feels that with the proper encouragement owners will take the trouble to improve their lands "and thus to inrich themselves by a faire advancement of their own." But, of course, all this effort which "quickned the diligence of the industrious, and punished the negligence of the sloathfull," would come to naught "without the benefit of Commerce and Traffike" (1641, pp. 62–63).

Capital Investment

The inflow of treasure resulting from a favorable balance of trade represented net foreign investment. Mun explains this relationship by an analogy; just as the individual "proportions his expences; whereby he may yearely advance some maintenance for his posterity" so must the kingdom "with great care and warinesse" sell more abroad than it imports (1621, p. 5). And von Horigk, who stressed the importance of national self-sufficiency, recognized that his policy raised the problem of where the capital for domestic investment is to be obtained (1684, p. 238).

Foreign investment was held to be crucial because of the widely held view that the world's wealth was fixed in amount, so that economic exchange was a zero-sum game. One of the earliest statements of this view is found in Montaigne's famous essay "Le proufit de l'un est dommage de l'autre" (1580, p. 127); and in an essay, "Of Sedition and Troubles," Francis Bacon contended "It is likewise to be remembered that, for as much as the increase of any estate must be upon the foreigner (for whatsoever is somewhere gotten is somewhere lost)" (1597, p. 99). Phrases such as these frequently appeared in the mercantilist literature, and it was sometimes stressed that this condition "is borne out in the realm of commerce more than anywhere else" (Montchretien 1615, Vol. 2, p. 28).

In such a context, the goal of economic policy was to obtain a larger share of the world's wealth. Colbert, Minister of Finance under Louis XIV, points out that it is for this reason that "Trade causes perpetual strife both in time of war and in time of peace between all the nations of Europe to decide which of them shall have the greatest share" (Colbert 1669, 6:264).

Because economic exchange was viewed as a zero-sum game, national wealth could not be increased by domestic marketing effort; all internal transactions simply cancelled out. Clement (1695) saw a domestic transaction as nothing more than a "commutation" or a transference of money from one pocket to another, and Montchretien (1615) states that "in trade between citizen and citizen … it is as if one held two vases in his two hands and poured the liquid from one to the other" (p. 31). Hence it was concluded that domestic marketing existed solely for the convenience of the people; that is, it only provides people with sustenance. It is foreign trade which "fattens" the people by gaining treasure from foreigners, whose loss doesn't count.

To carry out its function, the treasure derived as a result of the favorable balance of trade must circulate. Von Hornigk (1684) states the general position succinctly:

> Gold and silver once in the country . . . are under no circumstances to be taken out for any purpose, so far as possible, or allowed to be buried in chests or coffers, but must always remain in circulation; nor should much be permitted in uses where they are at once destroyed and cannot be utilized again. (p. 224)

The only exception to this general rule is that sometimes it is useful for a nation to have a stock of money to turn into real goods and services in time of need. Hales (1549) says that "a Prince ought to have great treasure, or else his subjects, against all events because Money is, as it were, a storehouse of any commodity you would have" (p. 9). Mun (1664) also argues that money ought to be set aside for public use, but he makes a careful calculation of the maximum amount which ought to be utilized in this fashion. In general, money must circulate.

There are two important aspects of an increased money supply. First, as Lord Keynes (1936, p. 336) points out, an inflow of treasure not only represents direct foreign investment, but also lowers the interest rate, which in turn stimulates domestic investment. Second, an increase in the money supply prevents prices from falling as the number of transactions rise in a developing economy. Each of these two points will be discussed in turn.

The Inducement to Invest

The mercantilist writers sensed the notion that the choice of output itself had an impact upon shifts in the production possibility curve, for they were greatly concerned with "wasteful" consumption. This concern had been voiced in much earlier times as well; *The Libelle of Englyshe Polycye* (1436) complains that the great galleys of Venice and Florence that come to England

> Be wel ladene with things of complacence,
> All spicerie and other grocers ware,
> With swete wines, all maner of chaffare,
> Apes and japes and marmusettes tailede,
> Nifles, trifles, that litell have availed,
> And thinges with whiche they fetely blere oure eye,
> With things not enduringe that we bye. (p. 18)

These goods are not only costly, but also have very little utility, and it would represent no real loss to do without them: "For moche of this chaffare that is wastable Mighte be forborne for dere and disservable" (p. 18).

Certainly a demand for imported "trifles" meant an outflow of treasure, which discourages native industry. And marketing is detrimental to economic development to the extent that it encourages a "consumptive importing trade." Hales (1549) clearly points out this problem, mentioning haberdashers who sell French or Milan caps, glasses, daggers, swords, girdles, and "such like":

> From the Tower to Westminister along, every street is full of them; their shops glitter and shine of glasses, as well looking as drinking, yea, all manner vessels of the same stuff – painted cruses, gay daggers, knives, swords, and girdles – that is able (to) make any temperate man to gaze on them and buy somewhat though it serve to no purpose necessary. (p. 25)

Another author concludes that "If these Shop-keepers deal over-much in Consumptive Foreign Wares, they may assist in the beggary of the Nation" (*Britannia Languens* 1680, p. 301).

And the detrimental effect of marketing fed on itself. The decline in domestic manufacturing and husbandry caused by the consumption of frivolous foreign goods attracted more people into "useless" professions such as retailing, and thus

> must yet bring a farther inconvenience, viz. a more general affectation of Finery and Gawdery, than before; for these being sedentary and easie professions, will not only admit of, but occasion greater curiousity in Apparel, Modes, and dresses than the active and laborious ways of living by Farming or Manufactures. *Britannia Languens* 1680, p. 376).

To these writers, the only way in which merchants stimulated investment was by finding foreign markets for the nation's superfluity." However, in the mid eighteenth century an alternative view was presented by Hume, who assigned less significance to the inflow of treasure. Although he was also concerned with "immoderate expences" on consumption, Hume thought that this problem was limited to those who "beget no industry," such as lawyers and physicians. A merchant on the other hand, "Has gain so often in his eye, that he acquires, by degrees, a passion for it, and knows no such pleasure as that of seeing the daily encrease of his fortune." As a result, the merchant accumulates money which can be lent at interest. If it were not for the merchant, money "is dispersed into numberless hands, who either squander it in idle show and magnificence, or employ it in the purchase of the common necessaries of life. Commerce alone assembles it into considerable sums" (1752, p. 54). Hence Hume views the merchant as a contributor to investment both on the demand side, by stimulating the output of goods and services, but also on the supply side, by acting as a lender.

The Price Level

The inflow of treasure added to the money supply, and some writers suggested that the result would stabilize prices,

> and then the people having universally more money than before, the Seller will not be so necessitous for money as before, and will have a greater choice of Chapmen, who will be more able and ready to buy.

The reason underlying this is that the seller is "not so necessitous for money as to be forced to snap at the first offer." (*Britannia Languens* 1680, p. 290)

Others argued that prices tended to fall because as any particular trade expanded there was more competition, so that each seller attempts to undersell the other. (*England's Great Happiness* 1677, p. 270). One author saw this result arising as merchants acquire "skill and cunning to forsee their Rise and Falls according to their Consumption and prospect of supply" (Cary 1695, p. 5). But once again it was Hume who integrated these fragments of analysis. He saw that as commerce becomes extensive "there must arise rivalships among the merchants, which diminish the profits of trade, at the same time that they encrease the trade itself" (1752, p. 55). Thus an extensive commerce reduces both profits and interest, and in turn prices are lower, so that consumption increases, which in turn stimulates industry.

Labor

The mercantilists considered not only natural resources and capital, but also the labor force, to be significant elements in national economic development. Some singled out labor as the primary element; a sixteenth-century writer stated that "in the multitude of people is the state of a King" (*Polices to Reduce this Realme of Englande* 1549, p. 314), a century later another commented "People are therefore in truth the chiefest, most fundamental, and precious commodity" (*Britannia Languens* 1680, p. 458).

Such statements as these referred to people as factors of production. And marketing played an important role in the employment of labor as well as other factors:

> Neither the multitude of good able and skillfull worke-men, nor yet the great quantity of reall and substantiall manufactories, made and abounding in a Kingdome, can of it selfe either fully and thoroughly inrich or bring plenty to a place, without the helpe of Commerce. (Roberts 1641, p. 64)

The argument is the same as we have met before, in connection with natural resources; commerce is "the arme and hand that must distribute … and vent it into forraigne parts," because otherwise the output would represent a "superfluity and overplus," so "the worke-men by this meanes become to be incouraged."

Moreover, an increase in marketing activity itself stimulates employment "since it must maintain great multitudes of people in the very business of Trade, which could not otherwise to be supported." These persons "having the Rewards of their Labours in their hands" in turn stimulate consumption directly. But there is an additional derivative impact upon employment. There are others "Of honourable and necessary Imployments" such as Officers, Lawyers, Physicians, "and such like" who derive their income from trade. And as the "People, Trade, and Contracts do increase, there will be more Law-Suits and Diseased, and ordinarily more Fees and Gratuities," so that everyone will be better off (*Britannia Languens* 1680, p. 292).

The mechanism which brings people into the labor force in response to the potential demand explained above is rooted in individual psychology:

> The main spur to Trade, or rather to Industry and Ingenuity, is the exorbitant Appetites of Men, which they will take pains to gratifie, and so be disposed to work, when nothing else will incline them to it; for did Men content themselves with bare Necessaries, we should have a poor World. (*Discourses Upon Trade* 1691, p. 528)

Of course we have seen above that the satisfaction of exorbitant appetites was viewed as detrimental to national development by writers who were concerned with purchases of imported goods. Here, however, we see the further development of the idea, stressing the significance of the "demonstration effect," which induces the increased factor supply, which is required for economic development. It is interesting to note that the process envisioned by this author is similar to that described by Veblen (1899, p. 32), who held that the motive that lay at the root of expenditure was "The desire of everyone to excel everyone else in the accumulation of goods," that is, emulation.

> The mean sort seeing their Fellows become rich, and great, are spurr'd up to imitate their Industry. A Tradesman sees his Neighbour keep a Coach, presently all his Endeavours is at work to do the like, and many times is beggered by it; however the extraordinary Application he made, to support his Vanity, was beneficial to the Publick. (*Discourses Upon Trade* 1691, p. 529)

Factor Productivity

Thus far the discussion has centered upon shifting the production possibility curve outward by increasing factor employment; there has been no consideration of the role of increasing factor productivity in the expansion of output. This omission is not surprising since a consideration of efficiency might not arise when economic development is concerned with increases in aggregate output rather than an increase in output per capita, as it is more often thought of today. It was not unusual to find a complete disregard of the costs of factors employed in domestic production; for example, von Hornigk (1684, p. 225) remarked: "It would be better to pay for an article two dollars which remain in the country than only one which goes out, however strange this may seem to the ill-informed." Nor was it unusual for elaborate numerical examples of the benefits of foreign commerce to completely disregard domestic costs (Mun 1664).

Another reason why discussions of economic efficiency might not be expected is the lack of both analytical tools and data with which to work. One writer implicitly recognized the concept of increasing returns when remarking that as the volume of trade increases, competition reduces retailers' margins, but "most of them so much increas'd their quantities, that with less profit they every year spent more" (*England's Great Happiness* 1677, p. 269). But without a theoretical framework, this notion could not be generalized.

The lack of economic data required for analytical work was recognized by Petty, whose efforts with regard to "Political Arithmetick" represent a very early attempt to gather aggregate statistical data. He pointed out that one benefit of such data is that

> it might be known how many Merchants were able to mannage the Exchange of our superfluous Commodities with the same of other Countreys: And also how many Retailers are needful to make the sub-distributions into every Village of the Nation, and to receive back their superfluities.

It seems that at this early date this author felt that "distribution costs too much" for he added "I presume a large proportion of these also might be retrenched" (Petty 1662, p. 28).

This view may be contrasted with the impression, given in micromarketing works of the period, that market forces resulted in a good deal of "retrenchment" in the form of business failures. Indeed, the preface of the single most important business textbook of the 17th and 18th centuries (Savary 1675, not paged) indicates that the situation in France was especially serious. The author states that the book grew out of his membership in a Royal Council concerned with the improvement of trading conditions:

> It was at this last occasion, after the rising of the Council, that some of the gentlemen who composed it, directed me to work and write some Work on the subject of Commerce, which was to be useful to young people who wished to enter the mercantile profession.

Improving the skill with which marketing was conducted would reduce the number of business failures, and hence reduce social waste.

There is a further recognition of the importance of efficiency implicit in some of the programs suggested in the literature. Since it was thought important to increase the volume of trade, attention was paid to "Clogs on our Trade." Some of the governmental actions proposed to increase trade were intended to reduce costs by means of changing the economic environment – improving roads and navigable rivers, freeing the sea of pirates, improving the court system for merchants, and maintaining a system for carrying letters (Roberts 1641, pp. 79–81).

Moreover, there is a general assumption that the volume of trade will be greatest when the market is unrestricted; thus monopolies must be put down: "If the people of a Nation have free Liberty to sell at home to all Merchants, they must necessarily have the utmost choice of Chapman for Manufactures and home Commodities, and by consequence, the best and utmost Market and Vent" (*Britannia Languens* 1680, p. 330).

The Merchant's Role

The diffuse literature which has been reviewed above contains various comments regarding the role of the merchant which can be drawn together to form a general model. Existing factors of production cannot be employed unless there is a potential market, because no one will provide labor or capital unless there is something to gain from the employment of these factors. Marketing activities which find markets and supply these markets thus increase real wealth by increasing factor employment. Moreover, marketing activity increases the supply of factors available for employment by providing new sources of capital as well as by the demonstration effect, which increases the willingness of people to enter the labor market.

But what is the mechanism which accomplishes these results; what is the set of activities which must be undertaken to enable the marketing system to perform its role in national development? It is clear that the primary task of merchants is to "make a market"; Wheeler (1601), explaining the social contribution of the Company of Merchant Adventurers, argues that establishing a place to do business brought about a "Better and greater vent of English commodities, and the bringing in of foreign wares (good cheap)," because

> first, it cannot be denied that to advance anything, and to make it of price and estimation, is to bring it into request: secondly, to bring it into request is to desire it: and lastly, the best means to draw a concourse and multitude is to appoint a certain place, whither men may commodiously resort. (p. 362)

This general view also applied to retailing generally; one author, in speaking of "Retailers of all sorts in the City and Country, which we call Shopkeepers," states that "a convenient number are necessary in every Nation to keep open Marts and Markets for the vending of Commodities" (*Britannia Languens* 1680, p. 301).

Moreover, many writers also understood what was required for the "vending of commodities," that is, they say that marketing consisted of several different types of activities. First, the money which entered the nation "will ordinarily diffuse amongst the people by the necessity and succession of Contracts" (*Britannia Languens* 1680, p. 278). The mechanism by which this occurs is explained by a sixteenth-century writer. Foreign merchants who purchase cloth in England pay gold and silver to the merchants, who then "carry the same money into all market towns of cloth making in the hole realme and shall distribut it to the artificers, which shall pay it to fermours and husbondmen of the contrey for wolles, mete and drinke" (Armstrong 1535, p. 120).

Second, in nearly all of the literature it is apparent that the physical distribution function is recognized, and Carey (1695) specifically refers to the process of breaking bulk: "People Occasions requiring Commodities to be Retailed to them by such small parcels as would fit their Necessities, they were willing to give a profit to him who bought them in greater" (p. 4).

Third, the provision of information is also seen as an important marketing activity. In discussing the significance of trade for everyone in a nation, Saint Jean (1649) comments: "Some, dispensing that which they have in surplus, and the others searching for that which they lack; each finding in this mutual communication, the means to subsist and grow" (p. 4). Hume (1752) develops this point by means of an illustration. Merchants

> serve as agents between those parts of the state, that are wholly uncquainted, and are ignorant of each other's necessities. Here are in a city fifty workmen in silk

> and linen, and a thousand customers; and these two ranks of men, so necessary to each other, can never rightly meet, till one man erects a shop, to which all the workmen and all the customers repair. (p. 315)

It is by supplying the wants of both that the merchant is a "common benefactor."

The task of marketing expands as economic development proceeds; as Carey (1695) explains the process, "trade came more in use, so the first Buyer not only sold his Commodities to the Consumer at home, but also dispersed them amongst those who were seated in the Country at a distance in order to supply the Inhabitants there" (p. 4). And, as Hume summarizes it, "Merchants … beget industry, by serving as canals to convey it through every comer of the state." Hence merchants contribute to national economic development to the extent that aggregate output is increased by means of an increase in factor employment. And as development continues, the work which merchants do becomes more complex: "As the people encrease in numbers and industry, the difficulty of their intercourse encreases: The business of the agency of merchandise becomes more intricate; and divides, subdivides, compounds and mixes to a greater variety" (Hume 1752, p. 52).

The implication here is that marketing, which forms part of the "tertiary" sector of the economy, as it is referred to by Clark (1940) and Fisher (1946), will expand as the economy develops. It has been noted above that some writers, especially early in the period under review, were concerned that the number of retailers and other "unproductive" professions would grow at the expense of the primary and manufacturing sectors. But as the literature developed, the argument that internal trade did not advance national economic development began to disappear, and the contribution of marketing was seen in the context of both domestic and foreign trade.

Typically, it was held that marketing received a reasonable share of the total output. Barbon says simply "The Trader hath One Share for his Pains and the Landlord the Other for his Rent" (1690 p. 52). Hume adds a value judgment: "It is necessary, and reasonable, that a considerable part of the commodities and labour should belong to the merchant, to whom, in a great measure, they are owing" (1752, p. 22).

Conclusion

With the rise of nation states in Western Europe came a literature, building upon the understanding of marketing achieved by earlier writers, which emphasized the role of marketing in economic development. This emphasis is consistent with the North and Thomas thesis that transaction costs represented the key factor in economic development during this period.

Moreover, these early writers recognized the three elements of transaction costs specified by North and Thomas. Search costs were explicitly noted; negotiation costs are implicit in discussions of the market as an opportunity for buyers and sellers to meet, as well as the concern with improving the nation's communications structure; and concern with contract enforcement is apparent in the call for an improved court system to handle trade disputes.

Nevertheless, these writers missed the significance of market efficiency; they recognized the necessity for the work of marketing, but only dimly perceived the corresponding cost. This failure seems to have resulted from the focus upon expanding national output by increasing factor employment rather than factor productivity. And, in turn, this is an outgrowth of the objective of national policy to increase aggregate output rather than output per capita.

But the point of view was a strength as well as a weakness. Despite a lack of analytical tools, these writers made impressive strides because they started from a macro perspective. The function of any economic institution was to serve the society, or as one writer explained "That we are not borne for ourselves, is a saying no less ancient than true" (Roberts 1641, p. 57). These writers did not have to "invent" macro-marketing because they never made the error of defining marketing as marketing management in the first instance. They began with a macro system, the State, and viewed marketing behavior as a subsystem whose function was to advance the purpose of the system, not that of the subsystems which engaged in the activity.

Modern efforts to deal with the role of marketing and economic development must overcome the limitations imposed both by the micromarketing perspective and a set of analytical tools which have been adapted from microeconomics and the behavioral sciences, developed in modern western cultures. The problem of dealing with other cultures when utilizing inadequate concepts has been amply demonstrated in economic anthropology (Polanyi 1944) as well as in economic theory (Streeton 1974). The issue must be addressed in marketing as well, and a beginning can be made if marketing writers stop ignoring, or at least stop denying, the existence of a rich heritage of marketing literature.

Notes

1. as one may say.
2. the admiralty, i.e. naval superiority.
3. the English Channel.

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