Definition of Mercantilism

Between 1600 and 1800 most of the states of western Europe were heavily influenced by a policy usually known as mercantilism. This was essentially an effort to achieve economic unity and political control. No general definition of mercantilism is entirely satisfactory, but it may be thought of as a collection of policies designed to keep the state prosperous by economic regulation. These policies may or may not have been applied simultaneously at any given time or place. The following ideas, then, lumped together, may be called mercantilism.

(1) Bullionism was the belief that the economic health of a nation could be measured by the amount of precious metal, gold, or silver, which it possessed. The rise of a money economy, the stimulation produced by the influx of bullion from America, the fact that taxes were collected in money, all seemed to support the view that hard money was the source of prosperity, prestige, and strength.

(2) Bullionism dictated a favorable balance of trade. That is, for a nation to have gold on hand at he end oft he year, it must export more than it imports. Exports were later defined to include money spent on freight, or insurance, or travel.

(3) Each nation tried to achieve economic self-sufficiency. Those who founded new industries should be rewarded by the state.

(4) Thriving agriculture should be carefully encouraged. Domestic production not only precluded imports of food, but farmers also provided a base for taxation.

(5) Regulated commerce could produce a favorable balance of trade. In general, tariffs should be high on imported manufactured goods and low on imported raw material.

(6) Sea power was necessary to control foreign markets. A powerful merchant fleet would obviate the necessity of using the ships of another nation and becoming dependent on foreign assistance. In addition, a fleet in being could add to a nation's prestige and military power.

(7) Colonies could provide captive markets for manufactured goods and sources of raw material.

(8) A large population was needed to provide a domestic labor force to people colonies.

(9) Luxury items were to be avoided because they took money out of the economy unnecessarily.

(10) state action was needed to regulate and enforce the above policies. One might add that there was nothing logical or consistent about mercantilism, and that it displayed, in fact, enormous variation.

(Source: Web site of Prof. Gerhard Rempel , Western New England College, http://mars.acnet.wnec.edu/~grempel/courses/wc2/lectures/mercantilism.html)