

Mercantilism

Mercantilism is an economic theory that holds that the prosperity of a nation depends upon its supply of capital, and that the global volume of trade is "unchangeable." Capital, represented by bullion (gold or silver) held by the state, is best increased through a positive balance of trade with other nations (exports over imports). Mercantilism suggests that the ruling government should advance these goals by playing a protectionist role in the economy, by encouraging exports and discouraging imports, especially through the use of tariffs. The economic policy based upon these ideas is often called the mercantile system.

Mercantilism was the dominant school of economics throughout the early modern period (from the 16th to the 18th century, which roughly corresponded to the emergence of the nation-state). Domestically, this led to some of the first instances of significant government intervention and control over the economy, and it was during this period that much of the modern capitalist system was established. Internationally, mercantilism encouraged the many European wars of the period, and fueled European imperialism, as the European powers

fought over "available markets". Belief in mercantilism began to fade in the late 18th century, as the arguments of Adam Smith, and the other classical economists won favour in the British Empire among such advocates as Richard Cobden and to a lesser degree in the rest of Europe with the notable exception of Germany where the Historical school of economics was favored throughout the 19th and early 20th century.

Interestingly, the once former British colonies, the United States of America did not adhere to classical economics but to what is called the "American School" (a form of neo-mercantilism) in the policies of Hamilton, Clay, Lincoln and later Republican Party economic practices, that were mirrored in the policies of the Historicists in Germany by such economists as Friedrich List, until the emergence of the New Deal and the modern era. Today, mercantilism as a whole is rejected by many economists, though some elements are looked upon favorably by some economists including Ravi Batra, Pat Choate, Eammon Fingleton, and Michael Lind.