World Affairs

Mercantilism was the theory of trade espoused by the major European powers from roughly 1500 to 1800. It advocated that a nation should export more than it imported and accumulate bullion (especially gold) to make up the difference. The exportation of finished goods was favored over extractive industries like farming.

Mercantilism was a reaction against the economic problems of earlier times when states were too weak to guide their economies and when every town or principality levied its own tariffs on goods passing through its borders.

The modern age brought the rise of powerful nation states (Holland, France, Spain and England) and was marked by almost constant warfare. Money (bullion) was needed to support ever-expanding armies and navies. Mercantilist concepts developed from this need.

Underlying this theory was the belief that wealth was finite. If one nation hoped to grow richer, it had to do so at the expense of some other nation.

The development of colonies became very attractive during this era. Wealth could be kept by a nation if its colonies provided raw materials to the mother country and the mother country could sell finished goods to the colonies.

In England the application of mercantilist theory led to the development of a skilled labor force at home and the creation of a large navy and merchant marine. However, mercantilism also led to inflation and alienation in the colonies.

The theory of mercantilism was put into practice in the English colonies through the Navigation Acts.

Navigation Acts-Under the provisions of this legislation, trade with the colonies was to be conducted only in English or colonial ships.

Opposition to mercantilism was contained in the doctrine of laissez faire.

Laissez faire- meaning to leave alone