MERCANTILISM

Mercantilism:

The economic policy that prevailed in Europe between the 16th and 18th centuries, under which the government regulated industry and trade in accordance with the theory that exports should be encouraged and imports discouraged. Mercantilism was characterized not so much by a consistent or formal doctrine as by a set of generally held beliefs.

Basic Mercantilist Beliefs:

1) Exports to foreign countries are preferable both to trade within a country and to imports.
2) The wealth of a nation depends primarily on the possession of gold and silver.
3) Strong governmental control of industry and trade is needed to insure the wealth of the nation.

Developed along with the nation state. Eliminate internal trade barriers. Industries were encouraged because they provided taxes to support a large army and government. Exploitation of colonies was considered a legitimate method of providing the parent countries with precious metals and with the raw materials on which export industries depended. Mercantilism, by its very success in stimulating industry and developing colonial areas, soon gave rise to powerful anti-mercantilist pressures. The use of colonies as supply depots for the home economies, and the exclusion of colonies from trade with other nations produced such reactions as the American Revolution, in which the colonists asserted their desire for freedom to seek economic advantage wherever it could be found. At the same time, European industries, which had developed under the mercantile system, became strong enough to operate both without mercantilist protection and in spite of mercantilist limitations.