

Mercantilism

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Beyond ethics

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Heilbroner's remaining *causes* for the transition to the *market system*:

- Rise of the *nation-state*;
- Increase in scientific *curiosity*;
- Emergence of *money* and *markets*.

Age of discoveries and the nationalist spirit

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New levels of *economic* & *political* power.

The *leading* nations:

- Spain;
- Portugal.

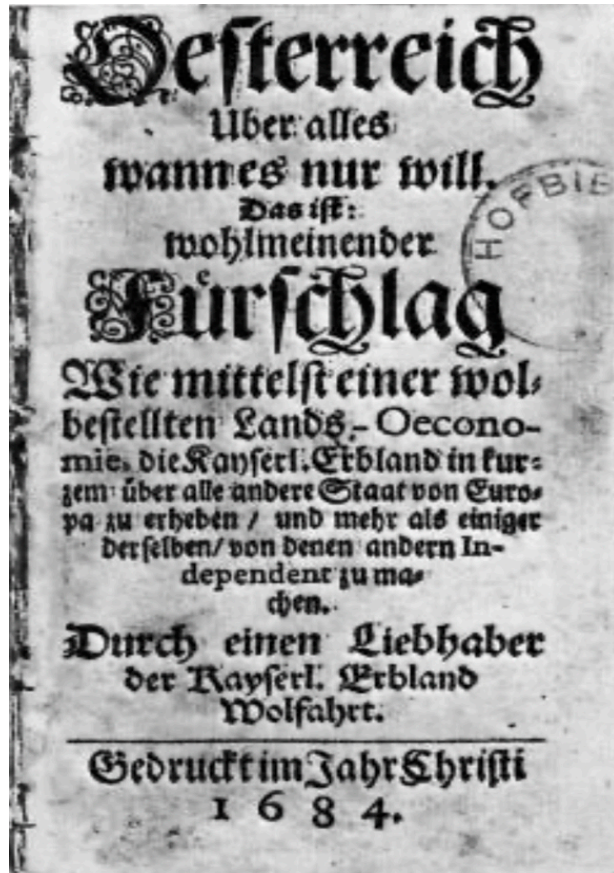
Age of discoveries and the nationalist spirit

The new *dominant* activities?

- *Done* by?
- *Sponsored* by?

Political consequence?

Age of discoveries and the nationalist spirit



Austria above all (1684)

Phillip von Hornick (1638—1712)

Age of discoveries and the nationalist spirit

Nine rules:

1. That every inch of a country's soil be utilized for agriculture, mining, or manufacturing;
2. That all raw materials found in a country be used in domestic manufacture, since finished goods have a higher value than raw materials;
3. That a large, working population be encouraged;
4. That all export of gold and silver be prohibited and all domestic money be kept in circulation;
5. That all imports of foreign goods be discouraged as much as possible;
6. That where certain imports are indispensable they be obtained at firsthand, in exchange for other domestic goods instead of gold and silver;
7. That as much as possible, imports be confined to raw materials that can be finished at home;
8. That opportunities be constantly sought for selling a country's surplus manufactures to foreigners, so far as necessary, for gold and silver;
9. That no importation be allowed if such goods are sufficiently and suitably supplied at home.

Mercantilism as a doctrine

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An *early stage* of capitalism

16th—18th centuries

A *loose* system of ideas

Symbiosis between *State* and *business*

A *conscious* effort to *commercialize* society

Mercantilism as a doctrine

Two questions:

[1] How to grow a country's *national power*?

[2] How do you accumulate *treasure*?

Mercantilism as a doctrine

Trade as a *zero-sum* game

- What does that mean?

What is a consequence of this view for *economic policy*?

Mercantilism as a doctrine

However...

Demand-pull inflation.

Mercantilist writings

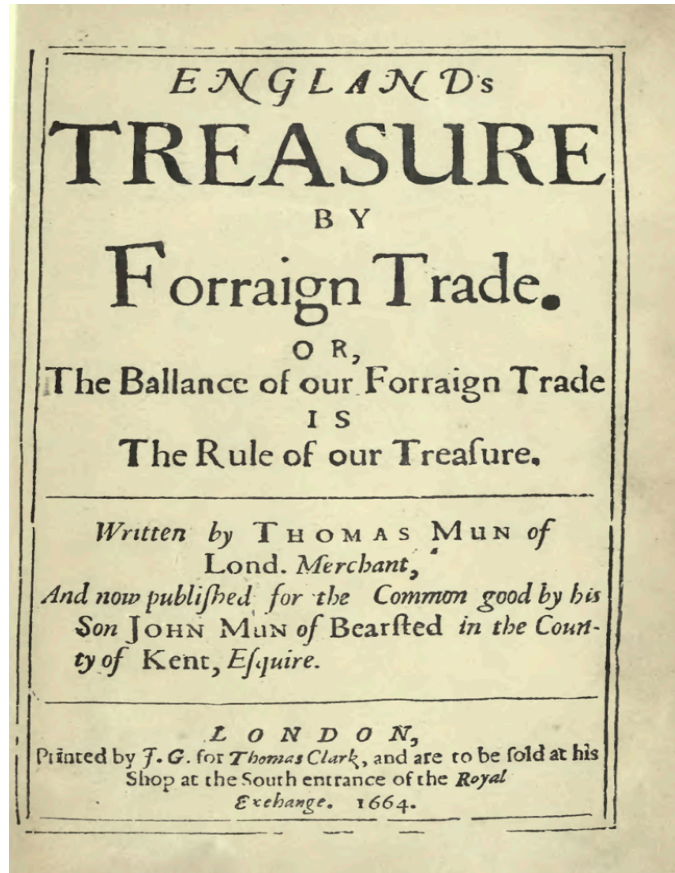
Mercantilist writings

Who were its *proponents*?

Pamphletary character

Policy-focused

Mercantilist writings



Thomas Mun (1571—1641)

“Although a Kingdom may be enriched by gifts received, or by purchase taken from some other Nations, yet these are things uncertain and of small consideration. The ordinary means therefore to encrease our wealth and treasure is by Forraign Trade, wherein wee must ever observe this rule: to sell more to strangers yearly than wee consume of theirs in value” (ch. 2)

Mercantilism as a process

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Granting of *monopolies*

Rise of a new *social class*

Consequence: Merchants become *entrepreneurs*.

Mercantilism as a process

Parliament vs. Crown

The focal point of the conflict between Parliament and the Crown in the struggle to supply monopoly rights concerned patents. Parliament wanted to restrain the unlimited power of the crown to grant monopoly privileges. The struggle was not over free trade versus government control but rather over who would have the power to supply economic regulations.” (Ekelund and Hebert, 2016, p. 63)

Mercantilism as a process

Rise of *liberal thought*

Next time: Physiocracy