

# Mercantilism and the Reconstruction of its Economic Principles

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*Michael King discusses the economic principles of Mercantilism. The author examines the primary sources of Mercantilist writings and contrasts this with the reconstruction of Mercantilism by Smith and Keynes. He concludes that these reconstructions were biased and misrepresented the tenets of Mercantilism.*

## Introduction

From the haze of subjective writings and opinions on the economics of mercantilism, the influence of two men stands head and shoulder above the crowd. Helped by the advent of analytical economics, both Keynes and Smith threaded together the economic principles of the era into a systematic doctrine. They are responsible for the two most important ex-post rational re-constructions of Mercantilism's economic principles. Given that Mercantilism describes the economic thought and policy in Europe from the medieval times to the early to mid 18<sup>th</sup> century, there are considerable impediments to the formulisation of ex-post re-constructions. These problems will be discussed at length. Since the re-constructions of Keynes and Smith are "crude generalisations", we must track carefully the progress of economic thought over three hundred years. With an understanding of the developments which occurred over the period, we can rate the validity of the re-constructions. In doing so we will survey the central themes of economic thought throughout the era; the specie-wealth identity, the theory of money, the balance of trade thesis, unemployment, interest rates, attitudes on consumption and the end game of Mercantilism. In the process the advancement in thought over the three hundred years will be highlighted and contrasted to the somewhat static reconstructions. Investigations into the economics of Mercantilism typically take the form of the proposition advancing ex-post, reconstructions of the periods' economic principles, the opposition's rebuttal, details what actually occurred and the conflict between the two. Before beginning our investigation into the reconstructions, it is important to note that for the purpose of this essay, policy will not be used as a proxy for the thought of the period. As indicated in the following section, the ideas of the writers were seldom reflected accurately in governmental policy.

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### Problems of Reconstruction

*'Crude classifications and false generalisations are a curse of organised life'*  
– George Bernard Shaw 1856-1950

Attempting to categorise the economic principles of any twenty-year period in pre-scientific economic times would be a tall order. Attempting to categorise three hundred years is another task entirely. As Mr. Shaw points out, generalisations may encapsulate certain themes but do considerable injustice to reality, which is usually more complex.

Mr. Shaw highlights the first problem of reconstruction. The period between 1450 and 1750 is characterised by uncoordinated, incoherent theoretical developments, marked by endless controversy. The writers tended to concentrate on one topic and no single writer was able to synthesise the various writings into a consistent doctrine. Any attempt therefore to assemble the economic ideas into a coherent doctrine is achieved by imposing a far greater sense of unity and logical coherence upon the periods literature than it in fact possessed.

Given the incoherent nature of the writings, attempts at reconstruction rely to varying degrees on policy as a proxy for thought. Tariffs, restrictions and incentives were not applied in an economical and optimal manner. Political considerations given to new ideas depended on the authors' relationship with what the classics identified as the cosy cartel between the merchants and the political establishment. There is sizeable credibility in the classical claim that the minority, the merchant class were out to line its pockets at the expense of the rest of the civil population. As Ashley put it the 1600's English Tory economic writer such as Child, Davenent were motivated by political aims not economic analysis<sup>1</sup>. Their end, he claimed, was not to select trade routes and markets for liberalisation on the basis of optimal political gain but only when politically desired. The highly suspect correlation between economic literature and policy of the era implies that surveying Mercantilist policy to track the ideas of the writers is flawed. An interesting example of this cosy cartel thesis at work is the suspicious disappearance of Dudley

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<sup>1</sup> Schmoller and Ashley (1896)

North's pamphlet *Discourses upon trade* of 1691. As Roger claims, the work '*is and has been ever since, utterly sunk, and a copy not to be had for money.*' Thus, a clear line must be drawn in the sand between literary and intellectual developments and the implemented economic policy. In the most Smith and Keynes avoided this complication. Whereas the historical schools socio-political interpretation, from an economics point of view, suffers badly from this quandary.

The third flaw in the reconstruction of past ideas is the inability to model and observe economic conditions of the time. The lack of understanding of these conditions undermines any reconstruction. The less monetarised, more segmented economies of the 15<sup>th</sup>, 16<sup>th</sup> and 17<sup>th</sup> centuries are likely to exhibit very different characteristics to the 18<sup>th</sup> Century European Economy. With the transfer to the social sciences of attitudes that were prevalent in the physical sciences, the later part of the Mercantilist era has been characterised as a transitional time containing the origins of scientific economics. Unfortunately, this occurred too late to facilitate precise estimation of the particulars of the Mercantilist economy

Finally, precisely due to the unquantifiable nature of the period, ex-post rational reconstructions are inherently subjective. As we can see from the three principle reconstructions, this problem lies centre stage, as each school attempts to advance its own school of thought. Coleman highlights their motives; '*without systematisation, no destruction; without destruction of the old, no formularisation of the new*'<sup>2</sup>.

## The Reconstructions

The three most important ex-post re-constructions are that of Smith, Keynes and the historical school. Each of these formalisations has in turn changed the perception of this period among onlookers.

### *The Smithian Reconstruction*

The term Mercantilism (system mercantile) was first mentioned in Marquis de Mirabeau's *Pilosophie Rurale* in 1763, but Adam Smith was the first to develop the idea

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<sup>2</sup> D.C. Coleman (1969)

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into a systematic doctrine. Adam Smith, the father of laissez faire economic policy used his description and subsequent demolition of Mercantilist ideas and principles as a launch pad for his new “enlightened” classical school of macroeconomics. According to Smith (1776), Mercantilists believed that to grow rich is to get money, and ‘*wealth and money are in short considered in every respect synonymous.*’ He jests that the pre-medieval Tartars were closer to the truth when they openly believed that wealth consisted of cattle. He traces the early 17<sup>th</sup> century altering of government policy from the prohibition of specie exportation to balance of trade massaging, and accrediting this policy change to Mun and Misselden. Smith described Mercantilism as ‘*an aggressive and fallacious hunt for treasure*<sup>3</sup>.’ He implies that societies ultimate aim is to accumulate and hoard treasure. In short, for Smith, Mercantilism’s view was that since specie was wealth, power and prosperity were brought about by specie accumulation. This accumulation was achieved through favourable trade, i.e. a permanent trade balance surplus. Smith’s reconstruction of Mercantilist economics has had a lasting influence on how mercantilism, those three hundred years of economic thought, is seen today. Evidence of this can be seen from the Oxford English Dictionary’s definition of Mercantilism as ‘*the economic doctrine and legislative based on the principle that money is wealth alone.*’

### *The Keynesian Reconstruction*

For Keynes, Mercantilism’s preoccupation with the inflow of specie was no ‘*purile obsession*’<sup>4</sup>. He extracted what he saw as the economic deficiencies of the period such as dearth of investment and need for governmental intervention, to provide backing for his own school. Domestic investment, he claimed was governed in the long run by the rate of interest and foreign investment was determined by the size of the favourable balance of trade. He maintains that, when one assumes away government investment, pre-occupation with these two is understandable. Since substantial foreign loans are not practical, and interest rates are governed by the quantity of precious metal, changes in the quantity of gold and silver depend primarily on the balance of trade. He accredited them with having an insight into an acceptable policy by which to stimulate economic growth. In his full blown defense ‘*Notes on Mercantilism*’, Keynes claims that once it is

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<sup>3</sup> Smith (1776)

<sup>4</sup> Keynes (1936)

realised that the economy does not automatically tend towards a state of full employment, the whole classical case against protectionist policies is undermined. Keynes implied that, unlike the Smithian contradiction, employment was the major Mercantilist consideration.

### *The Historical Reconstruction*

The third reconstruction of Mercantilism is of little interest economically. Rocher, Schmoller and then their English disciples Cunningham and Ashley redefined Mercantilism in terms of the ultimate goals of "Power to the State", "unification", and for some writers, "autarky". The Prominent Swedish Economist, Eli Heckscher reinforced this idea claiming that economic & monetary policy and protective trade was used on the adhoc basis to serve the ultimate aims of the system: political unification and national strength. There is no doubt that the political structure of the time used economic policy to achieve international advantage. The success of the historical school in defending Mercantilism as a rational policy for socio-political advancement does not alleviate the stigma of intellectual error in the economic policies and literature of the period. In fact Heckscher goes as far to say, '*there is no grounds whatever for supposing that the Mercantilist writers constructed their (economic) system...out of any knowledge however derived*<sup>5</sup>.'

As the Historical school subordinates the role of economics, it is of little relevance under the remit of this essay. Nevertheless it is undermined by its assumption that economic thought was fully reflected in economic policy.

Importantly, both the Keynesian and Smithian reconstructions have been heavily influenced by the writers desire to advance their own school. Keynes used his reconstruction to advance support for government involvement in the economy, in order to achieve full employment and optimal investment. On the other hand Smith choose central tenets that can be easily disproven to accelerate the political impact of laissez faire.

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<sup>5</sup> Heckscher (1965)

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### The Evidence

In considering the evidence of the Mercantilist period, I hope to show not only the ever-changing nature of the period but to do so in relation to the two economic reconstructions.

#### *Specie equals wealth?*

Central to the Smithian and implicit in the Keynesian reconstruction is the identity that wealth is gold and silver. Does this identity bind Mercantilist thought over the three hundred years?

In the early 16<sup>th</sup> Century, Armstrong reiterated the deep-rooted belief that it was better to have money than goods and that the purpose of goods is to purchase money from abroad (“love of money, fear of goods”). This perspective based on a rational fear of illiquidity caused partly by poorly developed credit institutions was widespread in both the civil and commercial spheres. If we analyse Mun’s writings, the representative Mercantilist in the 1630’s he advocates the exporting of so called wealth ‘*it would be very beneficial to export money as well as wares*’<sup>6</sup>. This doesn’t go as far as to fully repudiate Smith’s accusation of him but it indicates that he saw wealth as trade, the movement of money and goods but not in the hoarding of money alone. To Mun, hoarding by individuals was erroneous. The cause of Spanish military failures was the mistaken reliance on specie as opposed to trade, ‘*disability of the Spaniards by their native commodities to produce forraign wares for their necessities whereby they are forced to supply the want with money*’<sup>7</sup>.

The defining opinion on this bullionist tradition is by Edwin Cannan<sup>8</sup>, who differentiated between Bullionists, earlier Mercantilists and analytically poor Mercantilists, typically the later and analytically sound writers. Towards the end of the 17<sup>th</sup> Century, Barbon began to expose the Bullionists mistake, claiming it was a grave mistake to believe that

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<sup>6</sup> Mun (1664)

<sup>7</sup> Mun (1664)

<sup>8</sup> Cannan (1976)

money had an “intrinsic” value by itself. In his pamphlet, *‘Discourse of trade’*<sup>9</sup> gold and silver were considered commodities whose price depended on their use and quantity. Progressing even further from Bullionist ideas, the writings of William Petty finally put an end to their fallacy in enlightened circles when he showed that money was but 1% of national wealth and that natural wealth was mostly made up of property, land, cattle etc. Petty went as far as regarding labour as stored up wealth, advocating health programmes to maintain human capital. As we can see, Bullionism was destroyed by the emerging modern theory of wealth. Where does Mun fit on this continuum? He is clearly not a bullionist as Smith depicted (nor did he fully understand the modern theory of wealth). The period in which Mercantilist writers believed in this identity is the time of Malynes, before Mun.

### *The Theory of Money*

The Smithian reconstruction of Mercantilist economic literature portrays a complete misunderstanding of the modern quantity theory of money. Mercantilists did believe that economic development depended upon an increasing quantity of money. Some commentators claimed that it is clear in this advocacy that they did not fully understand the quantity theory of money. Using the equation of exchange  $MV=PT$ , it is clear that they emphasised the impact of M, the quantity of money on T, the volume of traded goods rather than on P, the average prices of these goods. In hindsight it is easy to criticise the Mercantilists for this mis-interpretation. But as Kelleher points out institutional stickiness, ignorance and confusion and a hoarding tendency among the population lead to conditions unlike the 18<sup>th</sup> century where an increase in the money supply would have significant stimulative real effects in 16<sup>th</sup> & 17<sup>th</sup> centuries<sup>10</sup>. Thus in the interval between the acquisition of money and the rise in prices, real benefits did accrue to industry, a phenomenon that Hume later developed. The short run in the 17<sup>th</sup> century was longer than in any later century. This however calls into question the viability of increasing the quantity of money as a long-term policy. The Mercantilists seem to have been myopic in this respect. Were Mun’s policies designed for the short-run? He did develop them for as a direct response for 1630’s depression. This may have been the case but his ideas were subsequently reflected in almost a century of writings.

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<sup>9</sup> Barbon (1690)

<sup>10</sup> Kelleher (1996)

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In similar fashion to the Specie-Wealth controversy it was the later Mercantilists who exposed the mis-reading of their predecessors. Interestingly, the Frenchman Jean Bodin recognised the relationship between the quantity of money and the general price-level as early as 1569. He offered five reasons for the rise in the general level of prices in Western Europe during the 16<sup>th</sup> century, the most important being the increase in the quantity of gold and silver resulting from the discovery of the New World. Petty showed an advanced understanding of the modern quantity theory of money, claiming that if one wished to increase output or the number of transactions in the economy, for a given money supply the velocity must increase. Locke's writings were along similar lines, revealing that prices vary in a definite proportion with the quantity of money in circulation.

In calling Mercantilist economic policy irrational Smith glanced over the economic conditions that ensured real effects from increasing the money supply. Given Petty and Locke's development of the modern theory of money, the three hundred year time definition of Mercantilism also undermines his findings.

### *Balance of Trade Thesis*

The Balance of Trade Thesis was the one constant in Mercantilist thought over the three hundred years. All pre Smithians were convinced that prosperity via free trade only became possible if consistent with a favourable balance of trade. Perotta (1991) highlighted three very distinct forms of the thesis. The earliest Mercantilist balance of trade theory was based on the maxim "one country's gain is another country's loss". International trade consists merely of moving wealth from one country to another. Malynes was representative of this early balance of trade thesis. In his period there was a local fear in the advanced countries of a scarcity of money. This fear was represented in legislation prohibiting people from taking gold out of the country.

The second theory, belonging to the representative Mercantilists, criticised calls for controls on gold exports. For them, it was better to allow the export of gold, which is necessary for imports, provided a larger quantity of goods was exported in exchange, resulting in an increase in the nations quantity of gold. Malynes attitude towards specie exportation was very distasteful to the merchants Misselden and Mun. Mun's central observation was that England benefited from the operations of the East India Company



despite the fact that its payments to India in gold and silver vastly outnumbered the payments of India to the East India Company<sup>11</sup>. Mun held that imports should consist of raw materials and semi-fabricated materials, whereas exports should consist of finished goods produced by labour intensive methods. His policy would be that well regulated trade should be ordered so that a maximum number of people are employed as '*...the more there are employed in a nation the richer the nation grows*'<sup>12</sup>. An interesting defense of this classic Mercantilist balance of trade thesis was espoused by the British historian Charles Wilson who argued that the prevailing trading circumstances of the time provided justification for the desire for hand money (good one)<sup>13</sup>. In order to maintain international liquidity, Britain had no alternative but to squeeze colonial trade for specie, as it was unable to offer the Baltics and India produce in exchange for their wheat and oriental goods respectively. Even Heckscher admitted that the British had good reason to be concerned with the Indian drain on Specie flow<sup>14</sup>.

The most advanced Mercantilist balance of trade theory proceeds as follows. A favourable balance of trade is achieved by selling goods that have exhausted their productive potential in exchange for goods which have this potential. This theory began to dominate by the end of 1600's when the gradual expansion of the production base changed the view of the relationship between foreign trade and production. Foreign trade became the means of strengthening domestic production, wealth and employment. Evidence of this can be seen in the frequent condemnation of luxury goods importation and frequent calls to import raw materials in exchange for manufactured goods. The advanced theoretical underpinnings of this theory like selective protection and incentives based on products with different productive potentials have been adopted right up to the present day but is still considered irrational by the classical school. Barbon identified the '*greater productivity rule*' in the 1690's when he wrote, '*only difference between the good lies in the number of workers they employ*'<sup>15</sup>. Likewise the author of

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<sup>11</sup> Mun (1664)

<sup>12</sup> Mun (1664)

<sup>13</sup> Blaug (1997)

<sup>14</sup> Heckscher (1965)

<sup>15</sup> Barbon (1690)

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'*Considerations*' claimed that a nation would do well by importing what is produced abroad with greater productivity.

Importantly it was the Mercantilists Hume and Cantillon who '*rang the death knell of Mercantilism*'<sup>16</sup> and the balance of trade thesis, in particular with their development of the Specie Flow Mechanism. The argument maintained that purely automatic forces tend to establish a natural distribution of gold and silver between trading countries. Any newly mined specie in one country will raise its price level relative to those of other countries; the resulting import surplus must be financed by a specie outflow, inducing the same reaction in the specie receiving country. In a visual illustration foreign trade and gold are similar to water in two connected containers that is constantly seeking a common level, thus the continuous favourable balance of trade policy is self-defeating. Crucially, elements of this specie-flow mechanism argument surfaced as early as the 1630's. Mun realised that an inflow of specie raised domestic prices and that "selling dear and buying cheap" tends to turn a balance of trade against a country.

If one merges the Specie Flow Mechanism with the newly developed Quantity Theory of Money then, concern over the long-run state of the balance of trade was unnecessary and flawed. As Viner points out one of the great mysteries of history of economic thought is that the improved theoretical advancement towards the end of the 17<sup>th</sup> Century prompted Smith to categorise the Mercantilists as confused and self-contradictory<sup>17</sup>. Is it not that they realised their own flaws?

### *Unemployment*

In order to consider the Keynes reconstruction that the balance of trade thesis was a rational policy to increase investment and alleviate unemployment, we must consider the type of unemployment that existed in the Mercantilist era. In some respects, the English economists of the 17<sup>th</sup> and 18<sup>th</sup> Century sounded like precursors of Keynes. They urged spending on luxury goods and urged spending on public work programmes<sup>18</sup>. The basic

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<sup>16</sup> Blaug (1997)

<sup>17</sup> Viner (1969)

<sup>18</sup> Blaug (1997)

flaw in Keynes interpretation, as pointed out by Heckscher, was that unemployment in the Mercantilist era was virtually unknown prior to the industrial revolution, as Blaug points out the problem was not Keynesian involuntary unemployment but what was referred to as '*an idle and debauched populace*'. Unlike Keynes's implication, unemployment in the Mercantilist era is structural not cyclical. As Blaug summarises the unemployment problem is not underemployment in a mature capitalist economy but actual unemployment in overpopulated underdeveloped countries in Asia and Latin America. Keynes was not alone in this misinterpretation, Petty who advocated government to stimulate employment, was very much a proto-Keynesian. A second argument against Keynes's reconstruction is that Mercantilism didn't formally discuss or advocate foreign investment. Foreign investment wasn't highlighted in the literature as important until the 1760's and James Stuart. I believe that not only did Keynes assume the wrong type of unemployment, but he also assumed in error that the end game of the balance of trade thesis was foreign investment. The balance of trade thesis had more to do with increasing the money supply and strengthening domestic production and employment. Keynes reconstruction is flawed primarily because he incorrectly applied 20th century unemployment to the 17<sup>th</sup> Century and assumed incorrectly that Mercantilist writers understood and emphasised the role of foreign investment.

### *Interest rates*

Although in some respects the controversial usury law argument is of less relevance to the evaluation of the ex-post economic reconstructions of Mercantilism, it does embody one crucial change in thinking, which transcends the issue, from which it emanated. Josiah Child in his work *Brief Observations Concerning trade and Interest on Money*<sup>19</sup> recommended the enforcement of usury laws to bring down the rate of interest. He cites two principal reasons for the desirability of such an action; to eliminate the competitive advantage given to the Dutch traders and allow English merchants to expand trade, to enable the state to borrow at a lower interest rate. In contrast, 20 years after Petty had emphasised the natural forces at work in the economy, Locke driven by the natural right of individuals questioned the practicalities of government imposed usury laws. He did so in his paper from 1691, *Some Considerations on the Lowering of Interest and the Raising the Value of Money*. He believed that it is impossible to regulate the rate of

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<sup>19</sup> Child (1668)

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interest, as entrepreneurs will always find a way around a new regulation. The implication of Locke's argument was that for the first time in the Mercantilist era the long-standing assumption that the economy required active management for safe passage had been challenged. Locke unearthed the idea of self-equilibrating market forces in the credit market, hinting at the classical idea of the pre-established harmony of an unregulated market.

### *Attitudes on Consumption*

It is generally agreed that the Mercantilist era focused economic forces towards production. The early Mercantilists viewed excess and luxury consumption as frugal and in some instances morally wrong. Similar to the later modernisation of other issues, the later Mercantilists contradicted their earlier counterparts who believed that the consumption of luxury wares should be encouraged rather than opposed. Smith and the Mercantilist writers viewed this perspective as incorrect. The later Mercantilists however developed modern ideas on the role consumption can play in the economy. As Barbon proclaimed, '*covetness is a vice, prejudicial both to man and trade, it starves the man & breaks the Trade*'<sup>20</sup>. Dudley North was the first to develop the Smithian greed concept where the main driving force was the exorbitant desires of people. Society will ultimately benefit from people motivated by their own self interest. Crucially it was the 1690's when traditional attitudes on consumption began to change. Once again, the Mercantilist idea died many years before the Mercantilist period supposedly ends, unlike what the reconstructions have us believe.

### *The End Game of Mercantilism: Increased Money Supply or Employment*

The legacy of Smith's reconstruction, whether intended or not, has been that the endgame for Mercantilism and its policies was an increase in the money supply. In contrast Keynes realised that employment was the underlying motivation of the Mercantilist writers. In the 1530's Clement Armstrong claims that foreign imports '*hath destroyed all handicrafts whereby great no of common people should have work... (instead)... must live idly*'<sup>21</sup>, thus indicating that even as early as 1530, employment was the core Mercantilist aim. As Heckscher puts it, Mercantilists '*killed two birds with the one*

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<sup>20</sup> Barbon (1690)

<sup>21</sup> Keynes (1936)

stone<sup>22</sup>, eliminating unwelcome imports resulting in unemployment and increasing the total stock of money, in order to reduce the interest rate and hence to encourage employment further. Hence, it seems that Keynes was more in tune with the ultimate aim of Mercantilism.

One of the great disservices that Smith has done to the understanding of the period is to establish Mercantilism and their own classical economics in direct opposition to each other. In reality however, Mercantilism is far from the theoretical opposite of the *laissez faire* system. Mercantilist authors and statesmen not only believed in, but harped upon “freedom”, especially freedom of trade. In fact, the expression ‘*La liberte est L’ame du Commerce*’ occurred hundreds of times in the correspondence of Colbert. From the opposite direction, Viner concludes, ‘*Adam Smith was not a doctrinaire advocate of laissez faire ...he did not believe that Laissez Faire was always good*’<sup>23</sup>. According to Keynes, Smith was extremely moderate on the Usury laws. Believing in a low rate of interest to encourage savings into investment and not debt, and supported moderate application of the Usury laws. Bentham criticised him on this issue heavily. It was a clear departure from his invisible hand principle. While the *laissez faire* ideology may have been pure, its application was not. But Mercantilism never represented the opposite ideology. It was closer to an amalgamation of free trade and protectionism that yielded the desired balance of trade effects. Mercantilist writers did not advocate protectionism per se. The mis-appreciation of this has been the basis of several misunderstandings. As illustrated by the interest rate controversy, the principle difference between Mercantilism and *laissez faire* is the strong belief in the need for the economy to be regulated by the dexterous hand of the politician as opposed to a self-equilibrating invisible hand. As we know very well, the truth is somewhere in between.

## Conclusion

The Smithian and Keynesian ex-post reconstructions are not innocent of the four problems indicated earlier. They suffer from biased motivations of the writers and the lack of knowledge about the economic conditions. In addition, they both suffer from

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<sup>22</sup> Heckscher (1965)

<sup>23</sup> Viner (1969)

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imposing uniformity on to a three hundred year period, characterised by innovation, change and a deficiency in intellectual stability.

As previously stated, Keynes's reconstruction was flawed on two counts, mis-application of modern unemployment to the Mercantilist era and assuming Mercantilists were motivated by increased foreign investment.

It is evident that from our analysis that Smith's reconstruction of Mercantilist economic thought takes two particular beliefs from two different periods. He merges the two and proclaims this to be the central tenet of three hundred years of economic thought. As we have seen the later Mercantilists became aware of the serious analytical errors of their predecessors. They recognised for example that specie is not a measure of the wealth of a nation, trade can be mutually beneficial to nations and that advantages will accrue to nations that practice specialisation and division of labour. Does, in terms of time, shortening the Mercantilist time line vindicate Smith? It does, only partially. If we ignore the fact that Smith singled out Mun as chief proponent of his reconstruction and if we reduce the Mercantilist period to approximately prior to 1625, then the Malynes and pre-Malynes idea that money equals wealth does co-exist with the earliest balance of trade thesis in the literature.

If we use the Smithian definition and the truncated time-line, we can avoid the contradictions evident in most ideas caused by the improved theoretical advancement of the later Mercantilists and hence avoiding Viner's conundrum. Any notion that Mercantilism is synonymous with protection, and diametrically opposed to laissez faire economics put forward by the "neo-Mercantilists" and classical writers are flawed. This is not only because an increasing number of the later writers recommended a reduction in the degree of government intervention with statements of classical liberalism, but also because prior to this protectionism and free trade were applied on an ad-hoc basis.

With all due respect to both Smith and Keynes, they did a great disservice to the economic writers of the period 1450 to 1750. The best advice to any student keen on learning about the period would be to first avoid the all three reconstructions and rely instead on the primary texts. The only service they did for the period is to make it one of the most controversial periods in the annals of economic history.

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