

Mercantilism: An Early Manifestation of Economic Nationalism

Orla McKeon

Mercantilism, as a body of thought and period in economic history, has suffered much more than other economic philosophies. Berated by Adam Smith for advancing policies for the self-interest of merchants and businessmen, it has never really managed to lose this taint foisted on it from early on. Yet to dismiss a theory and an era so rich in thought and prescription seems both severe and unwarranted.

This essay will not examine specific policies that have been labelled mercantilist. Rather attention will focus on the doctrine as a whole. Most importantly, its identification as an early form of economic nationalism will be directly considered. The discussion proceeds as follows. Section one discusses the objectives of mercantilism, focussing on the specious contradistinction between "power" and "plenty" interpretations. Section two details the role played by mercantilism in the unification process. Finally, section three looks at the power aspects of mercantilism on the international stage.

Power versus plenty: the means and ends controversy

Writers and analysts have generally found great difficulty in trying to define what is meant by the term "mercantilism". This precluded to a certain extent the evolution of a consistent and generally acceptable body of mercantilist thought. Nowhere is this more evident than in the debate concerning the means and ends of mercantile policy.

Writers in this field have tended to

home in on the power versus plenty argument. Thus, for example, Heckscher (1962) argues that mercantilism is a system in which "plenty", or wealth, serves as a means to the ultimate end - power. In support of this assertion, he cites mercantilists of the era, in particular Colbert, who wrote in 1666 of the Dutch:

"It is certain that their whole power has hitherto consisted in trade; if we could manage their trade, they might find it more difficult in the future to carry out their preparations for war than they had hitherto done" (Heckscher, 1962:17-8).

This suggests that, for Colbert, war was an end in itself, and that the acquisition of power via a concerted economic policy would ensure a healthy state of public finance.

Viner (1969), an ardent critic of much of Heckscher's thesis, rejects the notion of power as the sole end of mercantilist policy, arguing that nowhere does Heckscher cite a single passage in which this notion is explicitly and unreservedly stated. Viner points out Heckscher's reliance on the semantics of Colbert's writings to support his argument. It is true that, of all the mercantilists, Colbert was probably the most passionate advocate of economic warfare. Yet Viner doubts whether Colbert ever really rejected the desirability of guiding French policy so as to augment French prosperity. He lambastes Heckscher for not providing a mercantilist statement which explicitly lends credence to his view.

Ironically, Viner can be rebuked on similar grounds - he fails to quote a passage in which "plenty" is asserted as the ultimate end of policy.

In the power versus plenty argument, an important consideration is who in fact were the real instigators of the prescribed policies. To Smith (1976), the mercantile system was a fraud perpetuated by the business class on the public. He attributed all of its policy prescriptions to the machinations of merchants whose aim was monopoly in the home market. To a large degree, it is this thesis which has been adopted by many, with some seeing the usual identification of merchant interests with national advantage as an insupportable deception (as in Smith above), and others (Gomes, 1987; Roll, 1973) arguing that it is not a surprising feature of mercantilism, given the circumstances of the time. The latter group note that the expansion of commerce had brought with it a divergence of individual trading interests, all of which looked to a central authority to protect them against the claims of their rivals. Much is made of the fact that many mercantilist writers would have directly and personally profited from the policies they themselves were advocating. That may be true, but it is also the case that these merchants were the people best qualified to write on such matters.

Wilson (1967) analyses the self-interest argument in greater detail. He notes that, although in the early stages of mercantilism many of the policies advocated were instigated by merchants for self-interest, by the mid-seventeenth century there was evidence of governments trying to gather their economic policies into a more uniform shape (see below). This coincided with the realization that their own welfare was in many cases contingent on the welfare of their subjects. This view has been advocated by Viner (1960), who sees in mercantilism the appeal of merchants to non-economic

considerations to make their proposals attractive to government, and in tandem with this, the appeal of governments to the cupidity of merchants in order to win their support for wars embarked upon for political reasons.

In this context, the conclusion must be that wealth and power were *both* the ultimate aims of mercantilist policy. As Schmoller (1895) argues, "In all ages history has treated national power and national wealth as sisters; perhaps they were never so closely associated as then." "Power" and "plenty" were therefore not mutually exclusive conceptions, but rather were naturally intertwined. Nowhere is this more clear than in the characteristic mercantilist practice of granting charters and rights to certain companies to enable them to establish colonies. The merchants shared in the profits from such acquisitions but crucially, this process provided the state with the means of extending its power to every corner of the globe.

Given these objectives, in what way can mercantilism be construed as an early manifestation of economic nationalism. Heckscher (1962) believes that it cannot, arguing that expressions like "nationalism" should not be applied to the mercantilist era. To the people of the sixteenth and seventeenth centuries, the only collective entity was the state, with power being its singular concern. Yet, this should not detract from notions of mercantilism as a form of economic nationalism. Throughout much of Europe the state nation was the common form, and its existence provided the necessary coherence to bring into existence the nation. The dominance of the state therefore was a natural consequence of mercantilism as an early form of economic nationalism.

Mercantilism as a system of unification

Having considered both power and plenty as objectives of mercantilist

philosophy and practice, the remainder of this essay will concentrate on the power aspects of the era. This section will look at those aspects pertinent at the intranational level.

Internally, the most important feature of "power policy" was the move towards greater unification. Schmoller's (1895) writings represent perhaps the definitive work on this unification thesis. "...mercantilism...in its innermost kernel...is nothing but statemaking - not statemaking in a narrow sense, but statemaking and national economy-making at the same time" (1895:50-1). Examining the stages in economic evolution, from the village, to the town, to the territory, and ultimately to the national state, Schmoller proposes that historical progress has consisted mainly in the establishment of ever larger communities as the controllers of economic policy. His work charts the slow pace of unification in Germany against the background of sweeping changes elsewhere:

"Everywhere, save Germany, economic bodies were stretching out and becoming political...What to each in its time, gave riches and superiority...to Milan, Venice, Florence and Genoa...Spain and Portugal;...to Holland, France and England and to some extent Denmark and Sweden; was a state policy in economic matters, as superior to the territorial as that had been to the municipal" (1895:47-8).

In France, efforts at unification also proceeded: Louis XI (1461-1483) sought to bring about uniform weights and measures in France and forbade the importation of foreign manufactures. The edict of 1539 introduced freedom of trade in corn within France and was based on the

idea that in a united nation, districts should help support one another. Under Colbert's administration (1662-1683), the submission of the towns to a uniform ordinance, the partial abolition of the provincial estates and the diminution of the power of the provincial governor were all aimed at making the French people a noble and united body under its monarchy.

Mercantilist policies of unification in England included the assimilation of municipal practices to a uniform standard; the legislation which regulated on a nationwide basis the woollen industry, the conditions of labour, the statutory price of bread, weights and measures, the currency and the customs system; and the elimination of all internal barriers to trade. It is this transition from a municipal society to a national one which leads Lipson to call mercantilism "town economy writ large" (1943:xxxvi).

Hechscher (1962), in his analysis of the unification process in England, places great emphasis on the development of London as the hub of commercial—and economic activity. This centralization greatly aided unification in England. However, in another paper, Hechscher (1938) re-examines the notion of mercantilist unification, and to a certain degree sides with the German scholar Rachel, who argues that it was not economic unity which was the key issue for mercantilist statesmen but economic power. This assertion is based on the half-hearted and unsuccessful attempts at unity that were made. Yet the evolution of nation states in this period is well documented (see for example, Held et al "States and Societies" (1983)). To argue that mercantilist policies had little influence on this development would appear unrealistic. Perhaps future analysis might furnish a more definite answer.

Mercantilism as a system of power

We have already examined mercantilist

efforts to secure state power internally by reference to the unification thesis. Externally, the means to increase the state's power was through trade. "What nation soever," wrote an Englishman at the time of the first Navigation Act in 1651, "can attain to and continue the greatest trade and number of shipping will get and keep the sovereignty of the seas, and consequently the greatest Dominion of the World" (cited in Howard, 1976). The intense commercial rivalries and wars which resulted between states were largely the consequence of a pervasive belief in the zero-sum nature of world trade. Trade was essentially seen as a form of war. Howard quotes a British merchant in 1745 airing his views on the prospect of peace between France and Spain: "...our commerce in general will flourish more under a vigorous and well-managed naval war, than under any peace which should allow an open intercourse with those two nations" (1976:46).

The list of wars arising from economic considerations during the mercantilist period is long and bloody. Both the first and second Anglo-Dutch Wars (1652 and 1665 respectively) arose out of commercial rivalries and, in particular, out of the Navigation Acts in England, which had enclosed trade between England and the colonies in English shipping. Colbert's tariffs of 1664 and 1667 proved to be the preliminary of the war of 1672 between France and Holland in which jealousy of the wealth of Holland played a leading part. The Seven Years War was a result of the colonial rivalry of England and France in North America. The later wars of Sweden, aiming at the conquest of Poland, and the aggressive movements of Russia towards the Swedish and German provinces on the Baltic, were all directed towards the acquisition and domination of Baltic trade (see Howard, 1976; Schmoller, 1895; and Wilson, 1967).

Underpinning these wars was the balance of trade. Schmoller (1895) locates the development of this concept in the move from a municipal to a national society. Before the mercantilist era, attention had been fixed on the exportation from and importation to particular towns and territories. In the new state nations, some concept was required which would capture the trade of the state as a whole. That this concept should have emerged in England (see Mun's "England's Treasure by Forraign Trade" (1895)) is also seen by Schmoller to have been inevitable. Given its insular position and small land size, the national economy in England, had from early on, displayed its exports and imports, its money supply and supply of precious metals as a connected whole. The Balance of Trade thus became the barometer which registered the economic health of the nation. "The ordinary means to increase our wealth and treasure is by Forraign Trade, wherein we must ever observe this rule; to sell more to strangers yearly than we consume of theirs in value" (Mun, 1895:7). Hence, as Wilson (1967) argues, the idea of international conflict was inherent in the Balance of Trade doctrine. The observance of the above rule would also necessitate state intervention in the economic process. Or as Keynes (1936) put it, a favourable Balance of Trade became "a prime object of practical statecraft" rather than "the puerile obsession" that it seemed to later economists. Warlike tendencies were the natural result.

That the mercantilists failed to recognize that a trading nation benefits by having wealthy customers even if they are also competitors is a worthy criticism of the philosophy and the era. Their conception of a fixed quantity of wealth or trade was also erroneous. The constant wars exacted a heavy price in terms of the dislocation of industry, a rise in unemployment, and increased poverty (Lipson, 1943).

Conclusion

This essay has sought to examine the philosophy of mercantilism in its whole sense, and in particular the validity of the perception of mercantilism as an early manifestation of economic nationalism. The traditional power versus plenty argument as sole ends of mercantilist policy has been reviewed, with the conclusion that there can be no such argument. "Profit and power ought jointly to be considered" (Child, 1694). This inextricable combination of economic and political motives led to the emergence of economic nationalism in many of the European states during the mercantilist era.

In addition, particular aspects of power during the mercantilist era were examined. Securing the state's power internally took the form of a drive towards unification; the embellishment of power on the international sphere was directed by the pursuit of trade advantage.

With the recent stalling of the Uruguay round, some commentators have portentously forecast a return to protectionism, and hostile commercial rivalries. Perhaps the greatest tragedy of the mercantilist era was how its inherent economic nationalism, which in many other ways represented a positive and redeeming feature, manifested itself in warlike sounds. If a lesson is to be learnt, from this period, it is that this experience should not be repeated.

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