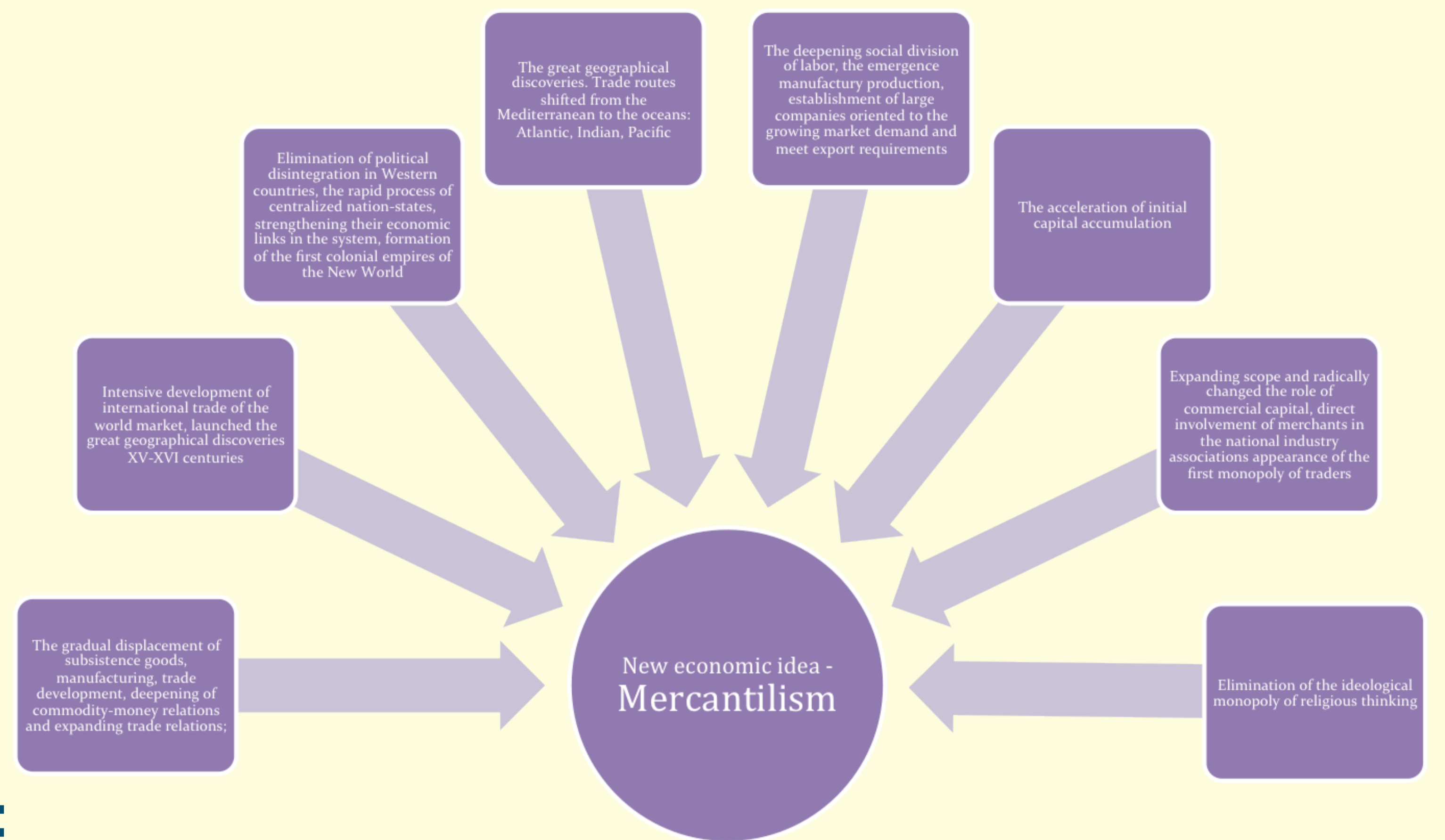


MERCANTILISM

is a political and economic system that arose in the 17th and 18th centuries. It purports that a country's economic strength is directly related to the maintenance of a positive balance of trade. That is, in order to remain economically and politically viable a country must export more than it imports. Such a positive balance of trade, according to mercantilist thought, results in a surplus of gold in the practicing country's treasury.



The worldview principles of mercantilists:

- Bullionism was the belief that the economic health of a nation could be measured by the amount of precious metal, gold, or silver, which it possessed. The rise of a money economy, the stimulation produced by the influx of bullion from America, the fact that taxes were collected in money, all seemed to support the view that hard money was the source of prosperity, prestige, and strength.
- Bullionism dictated a favorable balance of trade. That is, for a nation to have gold on hand at the end of the year, it must export more than it imports. Exports were later defined to include money spent on freight, or insurance, or travel.
- Regulated commerce could produce a favorable balance of trade. In general, tariffs should be high on imported manufactured goods and low on imported raw material.
- Each nation tried to achieve economic self-sufficiency. Those who founded new industries should be rewarded by the state.
- Thriving agriculture should be carefully encouraged. Domestic production not only precluded imports of food, but farmers also provided a base for taxation.
- State action was needed to regulate and enforce the above policies.
- Colonies could provide captive markets for manufactured goods and sources of raw material.
- A large population was needed to provide a domestic labor force to people colonies.
- Luxury items were to be avoided because they took money out of the economy unnecessarily.
- Sea power was necessary to control foreign markets. A powerful merchant fleet would obviate the necessity of using the ships of another nation and becoming dependent on foreign assistance. In addition, a fleet in being could add to a nation's prestige and military power.

The main social aspects:

- slaves trade
- XVI - XVIII century - period of transition from feudal to industrial society.
- The complication of the society class structure was a result of new way of production. Along with the classes of feudal society - feudal lords, peasants, craftsmen - there appeared new: salaried workers and capitalists.



William Stafford (1564-1612)

"Summary of the complaints of some our compatriots."
- the reason of goods cost increase saw in the rise of a disabled coins, coin damaged by King. Destruction of the coin, according to Stafford, has dual effects: 1) high cost, 2) escape (outflow) from the country of valuable coins.
- was proving, that disutility of coins export abroad because of rising prices and order situation is deteriorating nation.
- state had to issue a law that none of the raw products were not selling abroad rough, since export of raw materials causes the opposite in its import of processed.

"Everything that we buy from foreigners coming from us forever. Instead, what we buy from each other, stays at home."
- the need of state care of domestic trade.

Thomas Mun (1571-1641)

"A Discourse of Trade from England into the East Indies," (1621), "England's Treasure by Foreign Trade, or our Foreign Trade is the Rule of our Treasure,"
- Defined doctrine of "favorable balance of trade":
- Argued favorable balance of trade was only means of increasing the wealth of England;
- England's waste lands should be cultivated (no importation of food);
- money to be exported if greater could be earned sum earned (in East India Trading Company's interest);
- against the strict regulation of the export of precious metals, because money brings wealth only being in circulation;
- the development of domestic industry and required replacement of raw materials export by export of finished products;
- the development of transit trade is quite significant, because, in his opinion, it is a source of enrichment;
- Mun understood wealth not only as precious metals, but also as land and other gifts of nature. The main source of wealth-trade;
- using only the full value money in circulation.



Antuan de Monkretien (1575-1621)

"The laws of social economy" ("Treatise on Political Economy")
advocate of mercants;
Even the industrial development it is not an end in itself, because the final goal of all, he believed, is the trade;
In trade the win of somebody is the loss for another. But in the process of domestic trade win and loss some members of turnover, the country as a whole loses nothing and buys nothing. In foreign trade, foreign merchants are a type of pump and a profit, they pump the wealth of the country that deal with;
distinguished the concept of "money" and "wealth", believing that only gold creates the preconditions for wealth and prosperity of the country, but by itself does not make her rich;
attached the paramount importance to the "natural treasure" (bread, salt, wine, etc.)
"Not an abundance of gold and silver, not the number of pearls and diamonds makes a state rich, but the availability of items necessary to live and dress: who has more in that greater wealth."
against unnecessary luxury, considering luxury as one of the reasons that led to the outflow of gold from the country;
great compassion to peasantry and believes the government should take care about it.

Conclusion:

Mercantilism designated "the rudiments of science", which with the publishing Monkretien's work were called political Economy. Capitalist production just began to develop and mercantilist views were due to the level of economic development at that time. The theory of mercantilism was a huge progress for that time. It contributed to the development of the first major capitalist enterprises - factories, contributed to the development of productive forces, the victory of capitalism over feudalism. Even now the ideas of mercantilists are very useful and many countries use them in their policies (such as the protection of agricultural products from excessive competition from abroad, protectionism of domestic production). Although pure mercantilism is a dead economic issue today, vestiges of it remain. As author and historian Paul Johnson wrote in Commentary, "To trade freely is not a human natural propensity."