Mercantilism – An Appraisal of a Battle Against Medieval Thinking and Behaviour

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Abstract Feudalism that emerged after the decline of Roman Empire put a check over the aggressions of savage tribes. But owing to mutual feudal wars, the process of commercial rebirth could not be accelerated. Circumstances changed gradually by the eleventh century and the European economy did show signs of change. Agriculture and trade extended and Europe established commercial links with the east. Despite all this, the medieval trade and commerce was very limited. The economic concept could not develop freely. Religion greatly influenced the life of the people. By and by, conditions changed during the post-medieval and the beginning of modern age.

KEYWORDS: Roman Empire, Modern Age, Feudal Wars, Mercantilism

Introduction
During the transition period between the medieval and modern age, there were so many causes which constructed Europe as a family of centralized states. Certain circumstances attached a new prestige to property and now man could acquire it without a feeling of shame and state also found the secret of power in property. These conditions gave birth to mercantilism and developed it. Mercantilism which prevailed for 250 years (1500 A.D -1750 A.D) in European countries was a great revolution in the field of economic ideology during the times when medieval feudalism and episcopalianism were dominant.

Mercantilism signifies the economic theory which was prevalent in Europe, particularly in England, France and Germany during the first six decades of sixteenth, seventeenth and eighteenth centuries. It denotes the government regulation and control of economic affairs, particularly in the field of business and industry. It is not true that nobody had ever exercised monopoly over trade and commerce—it had been so for centuries and was practised by different sections of the city connected with business and craft but in sixteenth century the control came in the hands of a national ruler instead of classes. Mercantilism comprised of promoting the import and frustrating the export of precious metals, fixing higher rates of export goods in contrast to import goods, securing security of national industries by levying protective duties on the imports and promoting national savings.

In seventeenth century, the people of Western Europe doubted that the theory that agriculture is an essential industry for a country. Contrary to this, it was stressed that a nation should be self-dependent and accumulates money through profitably-run native industries and maximum export of indigenous goods. It follows from this theory that the scope of agriculture has a limit beyond which production cannot be raised, while industries carry limitless possibilities. The fundamental principle of commercialization or vocationalism is that the wealth is garnered in form of precious metals. As the fixed quantity of


gold and silver is always in circulation, it is beneficial for every country to keep a plentiful stock of gold and silver. It is deduced from this reasoning that a nation thrives on wealth of foreigners and for that an aggression was treated as a constructive and legal step to some extent. It is because the direct victory brings in profits in plenty in a country at the cost of seizure of enemy's property and valuables. Hence, from this point of view, commercialism was defensive, but it could have become aggressive because it laid emphasis in competitive elements in the economic relations of states.

The entrepreneurs comprising of proficient businessmen, administrators and kings as well as princes having interest in business preferred foreign trade and commerce for the purpose of attaining dominance over national economy. The mercantilists laid too much importance on securing gold and silver in plenty. Consequently, mercantilism assumed the shape of a project earmarked for collecting precious metals. For this reason, some writers applied the term 'bullionism' for 'mercantilism'. The concept of bullionism is analyzed here in order to clarify the aims of mercantilism. For e.g. the fast growing overseas trade as well as inter-regional coastal business, raised the demand of gold and silver. The countries which lacked exportable goods were in great need of precious metals which can be seen when England had to invest excessive gold and silver in Baltic region and India while dealing with Asia because in the case of latter, the woolen goods produced by England were not in great demand due to hot climate. Then again, the Asian traders preferred gold and silver in exchange for their goods for obvious reasons, such as (i) they did not need European exportable goods, (ii) the business with non-European countries required a large stock of gold and silver, and (iii) gold and silver rendered more security to them.

Ceaseless wars increased the uncertainties of commercial activities and maintenance of favourable balance of bullion was felt necessary. It is true that the bills of exchange were widely used to conduct inter-regional business transactions in the end of 17th century. Amsterdam emerged as an important clear- ance house for multinational European trade. But despite all these factors, commercial obstacles arising from wars might diminish the value of letters of credit for people and they might be inclined to hold up bullion. Further, businesses were not developed in real sense and depended more on import and reexport and less on variety. It can be clarified from the example that during the last twenty five years of sixteenth century the plantation colonies of serfs situated in West Indies, North America and Brazil started export of sugar, tobacco, coffee and cotton to Europe and from there those things were re-exported to other distant parts of Europe. Thus, world business had its own limitations at that time and suffered from the problem of industrial backwardness. Various business establishments still depended upon archaic domestic technology for the production of exportable indigenous handicraft articles. Under such critical circumstances, bullion was the only most suitable means to overcome these shortcomings.

Mercantilism v. Bullionism

Both concepts gave too much emphasis on money and wanted to make their country prosperous by increasing wealth. Among different types of wealth, money is most acceptable form because anything can be purchased with it and it is lasting also. Hence, national policy was aimed at amassing money. First, Spain endeavoured to become prosperous by

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5. Ibid.
6. Ibid.
accumulating gold and silver and then other countries followed him. Despite the aforesaid similarity there is a great difference between two concepts. The latter envisages strict control over the exports of gold and silver, which was considered as a prerequisite for a prosperous nation. Following this, England and other countries banned the export of gold and silver and stopped import of luxuries under the force of law. A Royal Exchange was established to look after the business of money exchange\textsuperscript{11}. But at the same time Bullionism could not survive for a long time because of an increase in international trade and commerce. Owing to tremendous growth in business, state failed to control it\textsuperscript{12}. The bullionistic thinkers like Miseldon and Mann maintained that if they manage more export than import, there would be a great flow of money in the country even if some gold and silver were spent to increase the foreign trade. Mann held that on the strength of progress made by banks, foreign trade could be run successfully without having enough stock of gold and silver. We can develop our business not by amassing gold but by raising demand for our goods in foreign countries. Keeping excessive store of gold in a country is wrong because it causes an increase in prices of goods and hence loss to the country. He further held that only those things should be produced and manufactured in the country which is available in a little quantity in foreign countries. In a nutshell, it can be stated that whereas the bullionists supported a strict control over the export of precious metals in order to increase the quantity of gold and silver in a country, the mercantilists encouraged an increase in wealth by means of foreign trade and business, so they were against banning the export of gold and silver. They craved for more export and less import so that they might hoard gold and silver and add to prosperity of the nation.

The idea of establishing a powerful state became indispensable in order to eliminate those medieval traditions. Business, industry, salary and consumption of things necessitated state regulations in the country in order to get success in the field of trade and to implement the idea of a favourable balance of trade. The idea of excessive exports necessitated the establishment of colonies in foreign countries. These tasks could be performed by a powerful state. Thus it will not be wrong to say that mercantilism is a concept as well as policy of state integration in the economic field\textsuperscript{13}.

Modern capitalism was also founded in this period. Foreign trade was carried on a large scale for the first time under mercantilism\textsuperscript{14}. It will be proper to say that history of international trade originates with mercantilism. Trade combined with other factors to give birth to colonial system. An important offshoot of mercantilism or commercial revolution was the origin of industrial revolution which started in first leg of eighteenth century in Europe. A zeal for maximizing production actuated European artisans to develop and apply new techniques of production. Because of commercial revolution, the population and strength of bourgeoisie increased immensely. They grabbed the golden opportunity of becoming rich by means of trade and commerce\textsuperscript{15}. The reformation also strengthened the power of middle class. The middle class purchased a major portion of Church-estates and consolidated their status. It is not necessary to remind that the spirit of self-esteem and identity manifested itself in French revolution. Hence the importance of mercantilism cannot be denied and neglected. It was the ban on imports which supported development of industries in England and helped her in reaping enormous profits. It was the impact

\textsuperscript{11} Mun, T., England’s Treasure by Foreign Trade, Macmillan & Co., New York, 1630, pp. 206-207.
\textsuperscript{12} Ibid.
\textsuperscript{15} Ibid.
of mercantilism the great stated like England, France and Germany came into prominence and Europe got extended. As a result of mercantilist policies, state matters were given priority over the interests of the individual, class and religion. Scientific development of economies became possible on the strength of significant economic factors analyzed by the mercantilists in their Articles\(^{16}\). Hence it proved out to be a boon for two centuries and provided a platform for a new economic theory, destined to rule mankind in the days to come. But all and all mercantilism was based on the principle of narrow nationalism and envisages great importance to a particular country at the cost of causing loss and disgrace to other countries. In the age of mercantilism foreign trade became the symbol of enmity in place of international fraternity and hence did not spare any room for the welfare of people\(^{17}\). There also existed a powerful and rich country but majority of people suffered from privations. Agriculture was utterly neglected and more emphasis was given on gold and silver. Because of undue interference of state in economic field, moral and ethical values were discarded and even trade and commerce did not thrive properly.

\(^{16}\) Ibid.


ABOUT THE AUTHOR

Dr. Tarun Pratap Yadav is Hol. Dept. of History, North-East Frontier Technical University. He is a reliable and dependable person and often seeks new responsibilities within a wide range of employment areas. He, not only has more than 11 years of teaching experience in Vinayak Mission University, Meerut College, Meerut, Amity University etc but also a member of various national and international organizations. In addition to Research Guide, he is a regular contributor to International Journal of Historical Studies and an enthusiastic Real Madrid fan. He recently collaborated a manuscript titled 'Vedic Rituals: An Anomaly' with Dr. Vighnesh Kumar (Hol, Dept. of History, Meerut College, Meerut) in which he highlighted the positive impact of Yajnas and Rituals on environment and its socio-economic relevance.