DOWNLOAD PDF MERCANTILISM AND ECONOMIC NATIONALISM

Chapter 1 : Economic Nationalism: From Mercantilism to World War II | Mises Institute

Actually, the new economic nationalism of the midth century stems from two different sources, not from one source alone: one of these is, obviously, mercantilism; the other is the doctrine of "national insulation" which, leaving aside the ancient claims of Aristotle, goes back to Johann Gottlieb Fichte. Of these two sources, the latter.

Colbertism French finance minister and mercantilist Jean-Baptiste Colbert served for over 20 years. Mercantilism arose in France in the early 16th century soon after the monarchy had become the dominant force in French politics. In , an important decree banned the import of woolen goods from Spain and some parts of Flanders. The next year, a number of restrictions were imposed on the export of bullion. The height of French mercantilism is closely associated with Jean-Baptiste Colbert , finance minister for 22 years in the 17th century, to the extent that French mercantilism is sometimes called Colbertism. Under Colbert, the French government became deeply involved in the economy in order to increase exports. Protectionist policies were enacted that limited imports and favored exports. Industries were organized into guilds and monopolies, and production was regulated by the state through a series of more than one thousand directives outlining how different products should be produced. Colbert also worked to decrease internal barriers to trade, reducing internal tariffs and building an extensive network of roads and canals. He was less successful in turning France into a major trading power, and Britain and the Netherlands remained supreme in this field. Economic history of Canada France imposed its mercantilist philosophy on its colonies in North America, especially New France. It sought to derive the maximum material benefit from the colony, for the homeland, with a minimum of imperial investment in the colony itself. The ideology was embodied in New France through the establishment under Royal Charter of a number of corporate trading monopolies including La Compagnie des Marchands, which operated from to , and the Compagnie de Montmorency, from that date until These were the first corporations to operate in what is now Canada. Mercantilist policies were also embraced throughout much of the Tudor and Stuart periods, with Robert Walpole being another major proponent. In Britain, government control over the domestic economy was far less extensive than on the Continent , limited by common law and the steadily increasing power of Parliament. With respect to its colonies, British mercantilism meant that the government and the merchants became partners with the goal of increasing political power and private wealth, to the exclusion of other empires. The government protected its merchantsâ€"and kept others outâ€"through trade barriers, regulations, and subsidies to domestic industries in order to maximize exports from and minimize imports to the realm. The government had to fight smuggling, which became a favorite American technique in the 18th century to circumvent the restrictions on trading with the French, Spanish, or Dutch. The goal of mercantilism was to run trade surpluses, so that gold and silver would pour into London. The government took its share through duties and taxes, with the remainder going to merchants in Britain. The government spent much of its revenue on a superb Royal Navy, which not only protected the British colonies but threatened the colonies of the other empires, and sometimes seized them. The colonies were captive markets for British industry, and the goal was to enrich the mother country. British mercantilism thus mainly took the form of efforts to control trade. A wide array of regulations were put in place to encourage exports and discourage imports. Tariffs were placed on imports and bounties given for exports, and the export of some raw materials was banned completely. The nation aggressively sought colonies and once under British control, regulations were imposed that allowed the colony to only produce raw materials and to only trade with Britain. This led to friction with the inhabitants of these colonies, and mercantilist policies such as forbidding trade with other empires and controls over smuggling were a major irritant leading to the American Revolution. The other nations of Europe also embraced mercantilism to varying degrees. The Netherlands, which had become the financial centre of Europe by being its most efficient trader, had little interest in seeing trade restricted and adopted few mercantilist policies. The Habsburg Holy Roman Emperors had long been interested in mercantilist policies, but the vast and decentralized nature of their empire made implementing such notions difficult. Some constituent states of the empire did embrace Mercantilism, most notably Prussia, which under Frederick the Great had perhaps the most rigidly controlled economy in Europe. During the economic collapse of the 17th century, Spain had little coherent economic policy, but French mercantilist policies were imported by Philip V with some success. Wars and imperialism[edit] Mercantilism was the economic version of warfare using economics as a tool for warfare by other means backed up by the state apparatus, and was well suited to an era of military warfare. A number of wars, most notably the Anglo-Dutch Wars and the Franco-Dutch Wars , can be linked directly to mercantilist theories. Mercantilism fueled the imperialism of this era, as many nations expended significant effort to conquer new colonies that would be sources of gold as in Mexico or sugar as in the West Indies , as well as becoming exclusive markets. With the establishment of overseas colonies by European powers early in the 17th century, mercantile theory gained a new and wider significance, in which its aim and ideal became both national and imperialistic. Mercantilism functioned as the economic counterpart of the older version of political power: The second school, supported by scholars such as Robert B. Ekelund , portrays mercantilism not as a mistake, but rather as the best possible system for those who developed it. This school argues that rent-seeking merchants and governments developed and enforced mercantilist policies. Merchants benefited greatly from the enforced monopolies, bans on foreign competition, and poverty of the workers. Governments benefited from the high tariffs and payments from the merchants. Whereas later economic ideas were often developed by academics and philosophers, almost all mercantilist writers were merchants or government officials. European trade exported bullion to pay for goods from Asia, thus reducing the money supply and putting downward pressure on prices and economic activity. The evidence for this hypothesis is the lack of inflation in the British economy until the Revolutionary and Napoleonic Wars, when paper money came into vogue. A fourth explanation lies in the increasing professionalisation and technification of the wars of the era, which turned the maintenance of adequate reserve funds in the prospect of war into a more and more expensive and eventually competitive business. Mercantilism developed at a time of transition for the European economy. Isolated feudal estates were being replaced by centralized nation-states as the focus of power. Technological changes in shipping and the growth of urban centres led to a rapid increase in international trade. Another important change was the introduction of double-entry bookkeeping and modern accounting. This accounting made extremely clear the inflow and outflow of trade, contributing to the close scrutiny given to the balance of trade. The goal of these thinkers was to find an economic system compatible with Christian doctrines of piety and justice. They focused mainly on microeconomics and on local exchanges between individuals. Mercantilism was closely aligned with the other theories and ideas that began to replace the medieval worldview. The mercantilist idea of all trade as a zero-sum game, in which each side was trying to best the other in a ruthless competition, was integrated into the works of Thomas Hobbes. This dark view of human nature also fit well with the Puritan view of the world, and some of the most stridently mercantilist legislation, such as the Navigation Ordinance of , was enacted by the government of Oliver Cromwell. In the English-speaking world its ideas were criticized by Adam Smith with the publication of The Wealth of Nations in and later by David Ricardo with his explanation of comparative advantage. Mercantilism was rejected by Britain and France by the midth century. The British Empire embraced free trade and used its power as the financial centre of the world to promote the same. The Guyanese historian Walter Rodney describes mercantilism as the period of the worldwide development of European commerce, which began in the 15th century with the voyages of Portuguese and Spanish explorers to Africa, Asia, and the New World. Criticisms[edit] Adam Smith and David Hume were the founding fathers of anti-mercantilist thought. A number of scholars found important flaws with mercantilism long before Smith developed an ideology that could fully replace it. Critics like Hume, Dudley North and John Locke undermined much of mercantilism and it steadily lost favor during the 18th century. In , Locke argued that prices vary in proportion to the quantity of money. Mercantilists failed to understand the notions of absolute advantage and comparative advantage although this idea was only fully fleshed out in by David Ricardo and the benefits of trade. Thus if Portugal specialized in wine and England in cloth, both states would end up better off if they traded. This is an example of the reciprocal benefits of trade whether due to comparative or absolute advantage. In modern economic theory, trade is not a zero-sum game of cutthroat competition, because both sides can benefit from it. Conversely, in the state exporting bullion, its value would slowly rise. Eventually it would no longer be cost-effective to export goods from the high-price country to the low-price country, and the balance of trade would reverse. Mercantilists fundamentally misunderstood this, long arguing that an increase in the money supply simply meant that everyone gets richer. Adam Smith noted that at the core of the mercantile system was the "popular folly of confusing wealth with money", that bullion was just the same as any other commodity, and that there was no reason to give it special treatment. They believe Mun and Misselden were not making this mistake in the s, and point to their followers Josiah Child and Charles Davenant , who in wrote, "Gold and Silver are indeed the Measure of Trade, but that the Spring and Original of it, in all nations is the Natural or Artificial Product of the Country; that is to say, what this Land or what this Labour and Industry Produces. Their theories also had several important problems, and the replacement of mercantilism did not come until Adam Smith published The Wealth of Nations in This book outlines the basics of what is today known as classical economics. Smith spent a considerable portion of the book rebutting the arguments of the mercantilists, though often these are simplified or exaggerated versions of mercantilist thought. Those who feel that mercantilism amounted to rent seeking hold that it ended only when major power shifts occurred. While the wealthy capitalists who controlled the House of Commons benefited from these monopolies, Parliament found it difficult to implement them because of the high cost of group decision making. On the continent, the process was somewhat different. In France, economic control remained in the hands of the royal family, and mercantilism continued until the French Revolution. In Germany mercantilism remained an important ideology in the 19th and early 20th centuries, when the historical school of economics was paramount. He added that mercantilism was popular among merchants because it was what is now called rent seeking. Keynes also noted that in the early modern period the focus on the bullion supplies was reasonable. In an era before paper money , an increase in bullion was one of the few ways to increase the money supply. Keynes said mercantilist policies generally improved both domestic and foreign investmentâ€”domestic because the policies lowered the domestic rate of interest, and investment by foreigners by tending to create a favorable balance of trade. Keynes also supported government intervention in the economy as necessity, as did mercantilism. Paul Samuelson , writing within a Keynesian framework, wrote of mercantilism, "With employment less than full and Net National Product suboptimal, all the debunked mercantilist arguments turn out to be valid. Samuelson wrote that China was pursuing an essentially neo-mercantilist trade policy that threatened to undermine the postâ€” World War II international economic structure. Mercantilism, which reached its height in the Europe of the seventeenth and eighteenth centuries, was a system of statism which employed economic fallacy to build up a structure of imperial state power, as well as special subsidy and monopolistic privilege to individuals or groups favored by the state. Thus, mercantilism held exports should be encouraged by the government and imports discouraged. Neomercantilism Neomercantilism is a 20th-century economic policy that uses the ideas and methods of neoclassical economics. The new mercantilism has different goals and focuses on more rapid economic growth based on advanced technology. It promotes such policies as substitution state taxation, subsidies, expenditures, and general regulatory powers for tariffs and quotas, and protection through the formation of supranational trading blocs.

Chapter 2 : What is Meant by Economic Nationalism?

(GATT, WTO, APEC, NAFTA) Free trade and open markets would prevent mercantilist conflicts Protective of economic security and national independence Neomercantilism Mercantilist-defensive-oriented polices- form of protection Compel to adopt to protect certain industry from overseas competition. World.

Europe, to Mercantilism was an economic "system" that developed in Europe during the period of the new monarchies c. Mercantilism was not characterized by the blind adherence to a single, precisely defined economic theorem. Rather, its adherents embraced, in various degrees, parts of a set of commonly held theoretical beliefs or tendencies that were best suited to the needs of a particular time and state. As such, mercantilism developed logically from the changes inherent in the decline of feudalism, the rise of strong national states, and the development of a world market economy. The shift from payments in kind, characteristic of the feudal period, to a money economy was one key development in this process. By the late fifteenth century, as regional, national, and international trade continued to blossom, European currencies expanded as well; circulation was more common, widespread, and vital. The early mercantilists recognized the seminal fact of this period. Money was wealth sui generis; it gave its holder the power to obtain other commodities and services. Precious metals, especially gold, were in universal demand as the surest means to obtain other goods and services. At the same time the rise of more powerful European states with burgeoning bureaucracies, frequent dynastic wars that required larger and more expensive armies, and more lavish court expenditures exacerbated this fundamental need for money in the form of precious metals. Foreign trade, not domestic trade, was viewed as the preferred method for obtaining bullion, while manufacturing, which provided the goods for such trade, was favored over agriculture. Finally, the discovery of the New World by Columbus in and the discovery of the sea route to India by Vasco da Gama in â€” also provided fertile ground for obtaining such wealth while creating an ever greater need for wealth to conquer and protect these colonies and their imperial trade. All of these factors ensured that the rising late medieval and early modern states embraced mercantilism as an economic theory that allowed them to adapt to and seek to exploit these shifting structures. Since mercantilism at base postulated increased royal control over both the internal and external economic policies of the state, it found easy acceptance among the "new" monarchies of the late fifteenth century and the sixteenth century. In Portugal , Manuel I ruled â€” and his successors embraced its tenets regarding bullion and colonies to help exploit their burgeoning Asian empire. In Spain both Charles I ruled â€” and Philip II ruled â€” , given the boon of New World precious metals, also found comfort in bullionism as well as the tenets calling for the exploitation of colonies for the benefit of the mother country. In England , Henry VIII ruled â€” and Elizabeth I ruled â€” adhered to some mercantilist principles in an effort that was, at least in part, designed to combat the threat of universal Habsburg Monarchy and Iberian dominance in the developing world market economy. During the age of Stuart absolutism James I ruled â€” and Charles I ruled â€” found it logical to accept the premise that the monarch should not only control the political and social hierarchy but should enjoy control over the economy as well. Oliver Cromwell â€” , after destroying Stuart pretensions in the Civil War , embraced both mercantilist warfare and the Navigation Acts in his commercial struggle with the Dutch. It was in France , however, that mercantilism found perhaps its greatest supporter in Jean-Baptiste Colbert â€” His family rose through the social hierarchy based on the time-honored expedients of wealth and venality of office. Utilizing family connections, Colbert entered the service of Michel Le Tellier in , soon after the latter became secretary of state in charge of military affairs. By the end of this decade of opportunity, Colbert had become baron de Seignelay, secretary of the orders of the queen, intendant general of the affairs of Mazarin, counselor of the king in all of his councilsâ€"not to mention a very wealthy man. Just as importantly, he had begun to create an apparatus for the implementation of his later policies by further enriching his family and arranging influential positions for a bevy of his brothers and cousins. Although Colbert never referred to the writings of Antoine de Montchrestien c. Mercantilism reached its apogee under Colbert not because he was a theorist but rather because he was a man of action who judged its tenets to be the only natural and logical way to achieve his most cherished goal: If the mercantile power of the burghers of

Amsterdam could be broken in both Europe and the lucrative Asian trade, France could prosper. Foremost among his particular tenets on mercantilism was the conviction that the volume of world trade was essentially static and that, to increase its share, France would have to win part of that controlled by its rivals. Just as importantly neither the French nor the English could "improve their commerce save by increasing this number, save from the 20, The bellicism inherent in such beliefs would in part culminate in the Dutch War of , a war Colbert supported. At the same time, in parts of England, Holland, and northwestern France the initial adherence to mercantilist principles created the very conditions that fostered antimercantilist sentiments. These developments would ultimately cause the destruction of merchant capitalism. In short, merchant capitalism reached a level within the mercantilist system where state intervention and direction of the economy was threatening and even preventing further expansion. The critical spirit toward existing Old Regime structures embodied in the intellectual revolution of the Enlightenment found its antimercantilist champions in the Physiocrats. This theory argued that the economy functioned best when its own "natural laws" were allowed to function without government intervention. In his Political Discourses and Essays and Treatises on Several Subjects , Hume also sought to refute some of the principal tenets of mercantilism, including confounding money with wealth and the blind acceptance of bullionism. At the same time his theories and those of other Physiocrats also encouraged colonies like British North America to reject the traditional dependence on their mother countries as defined by the mercantilist model while furnishing intellectual fuel for the industrial revolution then taking place in Great Britain. Colbert and a Century of French Mercantilism. New York , French Mercantilist Doctrines before Colbert. Translated by Mendel Shapiro. Ames Pick a style below, and copy the text for your bibliography. Encyclopedia of the Early Modern World. Retrieved November 11, from Encyclopedia. Then, copy and paste the text into your bibliography or works cited list. Because each style has its own formatting nuances that evolve over time and not all information is available for every reference entry or article, Encyclopedia.

Chapter 3 : Mercantilism The Effects of Economic Nationalism PowerPoint Presentation, PPT - DocSlides

Mercantilism is economic nationalism for the purpose of building a wealthy and powerful state. Adam Smith coined the term "mercantile system" to describe the system of political economy that sought to enrich the country by restraining imports and encouraging exports.

Check new design of our homepage! What is Meant by Economic Nationalism? Economic nationalism, very simply stated, is the imposition of economy control to protect the nation. Buzzle will tell what is meant by economic nationalism. WealthHow Staff "Economic nationalism is on the rise in key members, notably in Indonesia. The safeguarding strategies may involve the establishment of certain rigid methods or the imposition of certain restrictions, as per the government. In the following paragraphs, you will come across an in-depth definition of economic nationalism and the related concepts. Advocates of this concept are completely antagonistic towards globalization. The general belief is that globalization promotes excess international trade and investment policies, thus leading to diminished nationalism. Though the theory has supporters and may even work for a while, in the long run, it causes a tremendous strain on the economy due to the strategies used. In the paragraphs ahead, you will learn some of these strategies that have been implemented for economic nationalism. Policies Undertaken Import Substitution It is a policy that advocates using goods produced within the country rather than using foreign goods. The idea is to reduce the dependence on foreign stuff and thereby international trade, and rely on the domestically manufactured goods. This leads to increased domestic production and an increased economy for the country. The concept also involves advocating increased taxation policies and subsidizing power and agro-based industries. While the policy sustains the initial period, it cannot be used for a longer period of time. Every country gains from trade, and if the import policies are stopped, it leads reduced efficiency and innovation. Protectionism It is almost similar to import substitution, except that here, both the import as well as export is restricted. A number of policies are initiated by the government, which restrains the international trade. One of the policies introduced is tariffs. Tariffs are basically taxes imposed on imported goods, i. Thus, importing a large number of goods will prove to be an expensive affair for importers, leading to a reduced number of traders wanting to import foreign goods. This leads to more opportunity for the local traders, giving rise to an increase in the economy. Giving government subsidies is another policy. These subsidies are similar to small loans given to local firms to increase their annual output and stay in competition. The area of export subsidies is also used to increase exports. Ironically, this policy is promoted in as a part of protectionism as the exporters get the benefit of tariffs. Besides, import quotas, barriers, legislation, etc. Planned Economy Implementing a planned economy is one of the methodologies used by the government for economic nationalism. A planned economy is one wherein all the major decisions regarding the investments and other details are planned by a common, central authority. While a planned economy and a command economy are almost synonymous, the former allows the ownership of private enterprises unlike the latter, where public ownership is the sole formula. Thus, a command economy can be a planned economy, but a planned economy need not be a command economy. In this system, most of the production, investment, trade, sale, profits, etc. This kind of economy has its own advantages and disadvantages. However, there are very few planned economies in the world, as of today. Mercantilism This is again quite similar to protectionism, where exports are given importance and imports are to be reduced. One of the strategies it thrives on is bullionism. This principle advocates that precious metals equal wealth, i. Mercantilism is an age-old system; however, it is still used in certain countries. Important Examples Malaysia had imposed the currency control system after the currency crisis in The United States had imposed a tariff system in order to increase their steel production. During the economic crisis, Argentina had imposed a tariff and devaluation policy. There was a case in , wherein Russia tried to safeguard its natural resources and other industries by restricting foreign companies. The takeover of Autostrade, a famous Italian toll-road operator, by the Spanish company Abertis was blocked. The sale of six huge U. Seaport management businesses to a UAE-based company in the year faced political opposition. The Effects and Significance Economic nationalism has been a topic of huge debate. Many advocate that it is essential to increase internal economy; however, this has also negatively impacted the nation. The significance of economic nationalism lasts only for a while; after that, the nation begins to require external resources and trade in order to survive. Policies like protectionism severely cripple the global economy. Globalization is beneficial in many ways - it has helped increase the trade, develop friendly relations, increase international investments, and develop healthy cross-continental political relationships. Of course, it has had some negative effects too, but economic nationalism is not the answer to curb the ill effects of globalization. As of today, the world in increasingly becoming a smaller place to live in, and national borders are being redefined. Globalization is, thus, the way to go. In order to minimize the negative effects of globalization, different policies must be undertaken rather than playing on the positives of economic nationalism, which lasts for a shorter duration. Globalization has helped the world become smaller and much more progressive, even though it has caused some insecurities and potentially damaging effects as well. For that reason, economic nationalism is a powerful medium to help curb excess globalization. However, economic nationalism also leads to economic instability and politics, which may endanger the country. Therefore, while some of the policies may be adhered to, for a short duration, the concept should not be used beyond measure, for the fear of fragmenting the nation.

DOWNLOAD PDF MERCANTILISM AND ECONOMIC NATIONALISM

Chapter 4 : Wealth and Power:Mercantilism and Economic Nationalism by lily lee on Prezi

Economic nationalism is the tried and true historical method for getting richâ€"economic nationalism works. Second, it concentrated power in mercantile nations, as opposed to free traders. History gives us lots of great examples, from many different times and places.

It extends over roughly years â€" the 16th, 17th, and 18th centuries â€" and involves the birth and consolidation of the modern concept of the national state. The rulers of that period had far-reaching powers over the activities of their subjects, while individual liberties were largely submerged. The eventual revolt against mercantilism was associated with the promotion of democratic principles. In England the democratic revolution started in the last quarter of the 17th century; in France a hundred years later. The internal policies of mercantilism varied greatly, therefore, as between France and other continental countries , on the one hand, and England, on the other. There was more similarity in respect of foreign economic policies, i. Mercantilism evolved for the first time in history a more or less consistent body of doctrines explaining and justifying state action to regulate, control, and restrict various elements of international economic relations. Since then, instead of moving further ahead in the direction of world order, we have made, through a maze of detours, a turn around ourselves and we seem to be right back where we were years ago! Thus Professor Philip W. Buck, a careful student of mercantilism, could write in November in the preface to his Politics of Mercantilism that "modern totalitarianism â€" an awkward word used in this book to include the Soviet, Fascist, and Nazi states and their policies â€" is in many ways a revival of the ideas and practices of the mercantile system. Of these two sources, the latter, though the less acknowledged and the less known, is certainly the more important. The mercantilist tradition included certain elements that are not found again in the contemporary world, such as colonialism; and other elements which are very prominent in present-day society, such as concern for balances of payments and for full employment. What is, therefore, particularly important to us today is not so much the entire mercantilist tradition as some special parts of it. These can be described as our mercantilist heritage. The end of mercantilism was due to many causes. Because mercantilism was so intimately related with the state, with state structure and powers, its practical manifestations varied from country to country â€" as did its eventual contradictions and difficulties. French mercantilism disintegrated with the disintegration of the absolute monarchy. The Industrial Revolution of the end of the 18th century and early 19th was another factor instrumental in the liquidation of controls and restrictions characteristic of the mercantilist system. When Great Britain decided to give up its agriculture in favor of its industry, it also decided to accept international economic interdependence as a basic fact of life. Such an acceptance could only be made on the assumption of durable peace, an assumption that seemed reasonable during the century when "Britannia ruled the waves" instead, as a recent wit remarked, of "waiving the rules". International insecurity produces, of course, economic nationalism. This was undoubtedly a factor in the mercantilist period, as it is again a factor in our own day. Cobden â€" whose overriding passion was the establishment of durable peace in the world â€" believed that free trade could make peace secure. We may be somewhat skeptical about this today, but even our own experience tells us that the fear of war or the preparation for war tends to stimulate economic nationalism, while political security is a prerequisite or at least a concomitant of economic internationalism. It may also be said that economic nationalism tends to make peace more precarious and conflict more likely. Upon the ruins of mercantilism, and notwithstanding the increasing prestige of Adam Smith, new forms of economic nationalism soon began to grow. These took, however, all through the 19th century, the form of "liberal protectionism" and not of what we defined as "economic nationalism" in the restricted sense of the term. Although, in one of its aspects at least, the American Revolution was a reaction against mercantilism, as early a builder of the republic as Alexander Hamilton laid the intellectual and practical foundations for a new cause of economic nationalism in his Report on the Subject of Manufactures , published in Also â€" and therein lies its importance â€" it is the cornerstone of American protectionism. Alexander Hamilton was as fascinated in his day as statesmen from the so-called underdeveloped countries are today by the sight of a wealthy industrial nation. In , it will be recalled, mercantilism was breaking down but free trade existed only on paper. State interference in foreign trade was still the rule even in England. Hamilton advocated the adoption of governmental measures for the encouragement of domestic industries, not because of any concern for foreign trade and balances of payments he does not seem to have been influenced by mercantilist considerations but because of his interest in the development of the domestic economy of the United States. This is made quite clear in the following observations in his report: It is now proper â€¦ to enumerate the principal circumstances from which it may be inferred that manufacturing establishments not only occasion a positive augmentation of the produce and revenue of the society, but that they contribute essentially to rendering them greater than they could possibly be without such establishments. The division of labour; An extension of the use of machinery; Additional employment to classes of the community not ordinarily engaged in the business; The promoting of emigration from foreign countries; The furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other; The affording a more ample and various field for enterprise; The creating, in some instances, a new, and securing, in all, a more certain and steady demand for the surplus produce of the soil. Concerning the latter, he had the following comments to make: It shall be taken for granted â€¦ that manufacturing pursuits are susceptible, in a greater degree, of the application of machinery, than those of agriculture. If so, all the difference is lost to a community which, instead of manufacturing for itself, procures the fabrics requisite to its supply from other countries. The substitution of foreign for domestic manufactures is a transfer to foreign nations of the advantages accruing from the employment of machinery, in the modes in which it is capable of being employed with most utility and to the greatest extent. There comes a time when the question must be asked whether a fully developed new domestic industry can produce goods as cheaply as they can be imported from abroad and in as good a quality, and the issue between protection and free trade was ultimately argued on that basis. His argument, further developed by later economists, especially by Friedrich List , has come to be known as the "infant industries" argument for protection. To apply it to fully developed industries is actually an abuse of the argument. Although Alexander Hamilton can be considered the father of American protectionism during the first half or two thirds of the 19th century, he surely must not be burdened with that responsibility for the protectionism of the late 19th and the 20th centuries. His arguments but not his name are today widely used by spokesmen of the so-called underdeveloped countries, in combination with other much less defensible arguments and policies. The argument for increasing the diversity of occupations and skills within the nation can, of course, be defended with the greatest of ease on grounds other than economic. On economic grounds, one must inquire into the consequences of such diversification in terms of the higher prices the man in the street has to pay for what he buys; this is the sole basis on which an economically valid decision can be made. It is worthy of particular remark that, in general, women and children are rendered more useful, and the latter more early useful, by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain, it is computed that four-sevenths nearly are women and children, of whom the greatest proportion are children, and many of them of a tender age. Although his primary interest was directed towards the development of new industries, Alexander Hamilton regarded his proposals as very advantageous to agriculture as well. He drew attention to the consequences for American agricultural producers of the uncertainties resulting from fluctuations in foreign demand, and he noted that a growth of industry combined with immigration would increase the domestic market for agricultural products. To secure such a market there is no other expedient than to promote manufacturing establishments. Actually, it would be very misleading to place Hamilton and List into one and the same doctrinal "compartment"; the differences between them exceed the similarities. List, however, is very much concerned with considerations of power. Economic policy in his eyes is for the state a means of achieving its full bloom. He envisages the acquisition of a "well-rounded" territory, 7 a large population, and a well-balanced economic structure. He also emphasizes that a nation must possess adequate military power to protect its political independence and its trade routes. Unlike Hamilton, List is interested in outlets for surplus population and emphasizes the need for colonies. The next observation, which shows the contrast between the philosophy of List and that of Alexander Hamilton, has been brought out by William E. History shows that trade restrictions are born either of the natural efforts of the nation to attain well-being, independence, and power, or of wars and hostile commercial measures on the part of the dominating manufacturing nations. Once American industry came of age and once German industry became powerful, the arguments of Hamilton and List ought no longer to have been invoked in their countries although they still were available for the new underdeveloped areas and indeed were to be frequently used by their statesmen. It is these interests that are largely responsible for the upsurge of protectionism in Western Europe in the last quarter of the 19th century and the early part of the 20th, and for the persistence of protectionism in the United States. However motivated, 19th century protectionism was a considerably milder instrument of state interference with economic life than were the quantitative trade restrictions coupled with tariffs practiced in the preceding centuries. Tariffs did not stultify the price mechanism, nor did they disrupt the intricate interrelationships of world markets. They affected the distribution of resources and of industries throughout the world; the "liberal" mechanism of markets and prices continued to function undisturbed. The protectionism of the 19th century operated in the environment of a liberal society and at a time when the economic powers of the state were, throughout the Western world, at a low ebb. There was in those days a good deal of interest everywhere in an expanding world economy. The growth of trade, the smooth functioning of the gold standard, and the sustained flow of capital from country to country, not to forget the easy migrations, all were expressions of the same favorable attitude towards the world economy. The world economy was in a state of continuous growth and expansion. The clash of powerful nationalisms culminating in World War I took place in what was, for all the growth of protectionism, a reasonably close approximation to a well-integrated world economy. To say this is not in the least to deny that the widely spread protectionist miasma had very dangerous implications for the future of international relations. It is interesting to speculate on the possible course of events if there had been no war. Would American, German, and Russian protectionism have continued to grow, and would Great Britain have succumbed to the blandishments of the followers of Joseph Chamberlain and given up free trade? No one can tell, of course, but there is no doubt that even in the absence of World War I, free trade would have needed new enthusiastic, forceful, and persuasive champions in the 20th century in order to continue its course towards complete world economic integration, rather than be eroded by a rising tide of protectionism. Trade and war do not mix well. A war on a world scale, a war taxing all the resources of the belligerents, could not but disrupt international economic relations. The international gold standard broke down under the strain, trade and payment controls were widely adopted, trade routes were disrupted, and war needs acquired a veto power over the decisions of the price mechanism. We now come to events that are familiar to the older readers of this book, although they are already remote to the younger. The reconstruction that took place after , largely under League of Nations auspices, proved very precarious, owing to the contradictory tendencies prevailing in the world of the twenties. Monetary reconstruction was carried out as the first item on the postwar international agenda, there was a large expansion of international capital movements, especially out of the United States, and trade routes were reestablished fairly rapidly. Nevertheless, the foundation of that reconstruction was very tenuous. The monetary reconstruction was superficial and proved to be largely spurious. Many of these investments carried with them the seeds of default. The combination of erratic foreign investments with the technical faults of the "new gold standard" promoted an inflationary wave, worldwide in scope, with the most devastating depression of modern times following in its wake. The financial internationalism of the twenties, such as it was, stood in contrast to the increasingly protectionist commercial policies of the period and to the spread of monetary nationalism of mild expression. True, exchange controls and quantitative import restrictions which sprang up during World War I disappeared again a few years later, but economic nationalism was very strong and growing, both in the old, established countries and in those that either regained their independence or were newly formed at the Paris Peace Conference of The "new" countries were largely inspired by the "infant industries" argument, the older countries by the protection of vested interests. In Great Britain the increase of protectionist tendencies was a symptom of economic decline. From a fast-growing adolescent, the United States became the new leader of the world economy. It inherited from its elders responsibilities that they, crippled by war, were no longer able to discharge. These were, however, responsibilities that the United States was not yet mature enough to carry out wisely. Hence the twenties, with their orgy of indiscriminate foreign lending and simultaneously rising tariffs. Hence, also, the failure to realize that a creditor country must move towards free trade and not away from it, if it is not to suffer great losses itself while upsetting the international economic balance. The "decade of unreason" as it might well be called culminated in the most spectacular economic crisis of modern times and socially the most upsetting. It ushered in the destructive depression of the thirties â€” a complex economic process with internationally interlocking causal connections that still awaits careful, complete, and penetrating study. It has led to a great expansion of collectivist creeds and collectivist practices throughout the world, including the West, and to at least a temporary decline of economic liberalism and internationalism. Economic nationalism reappeared after over a century of decline, first in the form of neomercantilism, later in the more extreme forms advocated in by Johann Gottlieb Fichte. The views of Fichte on national self-sufficiency were rediscovered, or rather reinvented, by John Maynard Keynes in Easily the most influential economic thinker of this century, Keynes at this crucial time placed his immense gifts, intellectual as well as literary, and his great powers of persuasion at the service of economic nationalism.

Chapter 5 : Economic nationalism - Wikipedia

There are some similarities between mercantilism and economic nationalism, specifically in the idea that the purpose of the economy is to propel and enhance the power of the nation-state.

Home Analysis Economic Nationalism Explained: This article clears that up. How about Steve Bannon? As far back as appearing on the Oprah Winfrey Show , Trump was criticizing the rarefied notion of international free trade and economic globalism as a driver of economic growth. The issue now is about Americans looking to not get fucked overâ€¦ What does that mean? What does economic nationalism mean? What Is Economic Nationalism? So what is economic nationalism anyways? Basically, economic nationalists want to make the national economy as big as possible. For example, a country with bad roads would get the most bang for its buck improving its roads, whereas a country with decent roads may benefit more from improving its airportsâ€"it entirely depends on the local context, there is no one size fits all solution. In this way, economic nationalism is not so much a coherent economic model or theory, as it is as collection of policies that have been passed down over timeâ€"it evolved as a body of practical knowledge via historical accident, trial and errorâ€"as opposed to theories like global free trade, which is based on the work of David Ricardo , or communism, based on the writings of Karl Marx. Many conflate economic nationalism and mercantilism, in an attempt to disparage the former by linking it with the latterâ€"they routinely do it to Donald Trump, describing him as a mercantilist. Mercantilism is just unadulterated economic nationalism. Like I said, economic nationalism is a blanket term: Basically, protectionism is passive, mercantilism is active. What does that mean? Economic protectionists seek to isolate their domestic markets from foreign competition, so that their local producers cannot be out-competed and replaced by imported products. This is usually done by imposing high tariffs taxes on competing imports. An example of a protectionist measure would be if Switzerland taxed foreign watches: Importantly, economic protectionism focuses on protecting, or defending domestic markets: This is why protectionism is passive: Mercantilism takes this one step further: This is why mercantilism is active. Mercantilism is not about hoarding gold. Mercantilism and gold are linked in the popular imagination because mercantile policies generate trade surpluses. Historically, gold or silver was physically shipped from country to country to balance the books. We know this not only because of history, but because mercantilists themselves told us. For example, Anoine de Montchrestien, the godfather of French mercantilism, wrote: Mercantilism is not about colonialism. Mercantilism is an economic policy that countries employed to benefit their own economies, nothing more. To make this clear let us turn to history: Therefore, mercantilism is not predicated upon colonialism, nor does it necessitate conquestâ€"they are linked due to historical accident. Mercantilism was not invented, it evolved. There is no Adam Smith or David Ricardo we can point to and say: Instead, mercantilism evolved through trial and error over hundreds of years. It is a collection of tricks-of-the-trade, of policies and practices that worked. They point out that when two countries freely trade, they both benefit: However, this is a straw man: Economics may not be zero sum, but politics is. Simply put, the more powerful your rival is, the less powerful you are relative to them. When dealing with power, when one country gains, another loses. Power is zero sum. Soccer is a zero-sum game: Therefore, since mercantilism evolved in a period of endemic warfare, it made sense to conflate economic gain with political gainâ€"the richer your rival became, the more powerful they became. So, if you wanted to limit their power, you needed to limit their economy. However, they would reject such a relationship, because it narrows the relative power differential between the two states. Economically, both benefitâ€"this makes liberal economists happy. Mercantilism is not against the free market. In a counter-intuitive way, mercantile policies often protect domestic markets. Just look at China and America as an example. Right now, America imports Chinese stuff. This stuff is cheapâ€"way cheaper than it should be. This is because China practices predatory trading via currency manipulation, wage suppression, export subsidies etc. In the end, this cheap stuff out-competes American producers, who either have to offshore or close down. But what is it? How Does Mercantilism Work? Mercantilism has 2 goals: Make the nation as rich as possible. Make the nation as powerful as possible. The first goal is pretty simple: This is done by maximizing the amount, and efficiency of economic activity particularly advanced industry occurring within the nations borders. Imposing high taxes on value-added imports, while limiting them on raw materials or non-competing products eg. Limiting taxes on value-added exports, and imposing high taxes on exported raw materials eg. Seeking out new markets to export advanced products in exchange for raw materials eg. Ideally, mercantilism results in the nation exporting only advanced, manufactured products, while importing raw materialsâ€”a mercantile nation preys upon other markets to artificially expand demand for its advanced products. The second goal is where most misunderstandings arise. This is why mercantilists and other ardent economic nationalists reject asymmetrical trade dealsâ€”they undermine the power of their nation by unduly benefiting the other power is zero sum. Some common tools mercantilists use to maintain power include: Acquiring national monopolies in a specific resource eg. OPEC benefits from manipulating oil prices higher than fair market rates. Restricting the foreign ownership of domestic companies and resources. Pursuing exclusive trade deals with new markets you can trade with me, but not my rival. It also ensures that trading partners remain relatively weak: This creates a relationship of dependency and economic subservience, which relatively increases the power of the mercantile nation. A good example is actually trade in colonial America â€”the colonies imported everything from tools to firearms from Britain, which left them relatively helpless at the beginning of the revolution and Britain relatively strong. Those are the goals, and some of the primary tools, of mercantilism. Right now, Camelot trades freely with the surrounding regions, particularly Avalon, to whom it trades wool in exchange for woolen clothâ€”it gets cold in Camelot, and they love Avalonian sweaters. In this situation, a liberal economist would say that this trade setup is ideal, since both parties are trading freely, and both are benefiting. To fix this, Arthur raises a tax on exporting wool, and another on importing cloth. Not only does this make it lucrative to set up textile mills in Camelot, but Arthur also decides to reinvest these taxes in Camelot. He invests in the mills, and builds some roads so they can get their textiles to market easier. Not only that, but he brings in some weavers from Avalon to teach the people of Camelot how to weave. Pretty soon, Camelot has its own thriving weaving industry and the urban, industrial population that comes with it , which benefits from relatively cheap wool. Eventually, Camelot replaces Avalon as the weaving capital, exporting its cloth abroadâ€”Camelot grows richer and more powerful relative to Avalon which declines. Seeing the success of the weaving industry, King Arthur decides to try similar tactics with other industries. This does a few things: This ensures everyone has jobs, and that most of those jobs are in value-added industries weaving is more lucrative than shepherding. Camelot no longer depends on Avalon for its sweaters, and can therefore act independently. Is Economic Nationalism Justified? Did It Work Historically? This question is often linked to a second one: Economic nationalism is the tried and true historical method for getting richâ€”economic nationalism works. Second, it concentrated power in mercantile nations, as opposed to free traders. History gives us lots of great examples, from many different times and places. Chief among them being Venice, Great Britain, and China. Early Victorian Britain was the apotheosis of economic nationalismâ€”and it paid off big time. Britain became the richest nation the world had ever seen, ushered in the modern era, and conquered a quarter of the planet. It owed all this to its dynamic economy. The greatest test of anything is the test of time:

Chapter 6 : Mercantilism - Wikipedia

Mercantilism is a form of economic nationalism. It advocates trade policies that protect domestic industries. It advocates trade policies that protect domestic industries. In mercantilism, the government strengthens the private owners of the factors of production.

Chapter 7 : Is mercantilism the same as economic nationalism

Economic nationalism, or economic patriotism, refers to an ideology that favors state interventionism in the economy, with policies that emphasize domestic control of the economy, labor, and capital formation, even if this requires the imposition of tariffs and other restrictions on the movement of labor, goods and capital.

Chapter 8 : Economic Nationalism Explained: Theory, History, Examples | National Economics Editorial

Mercantilism is an economic practice by which governments used their economies to augment state power at the expense of other countries. Governments sought to ensure that exports exceeded imports and to accumulate wealth in the form of bullion (mostly gold and silver).

Chapter 9 : Mercantilism | www.nxgvision.com

Protectionism & mercantilism are both forms of economic nationalism, which prioritizes the economic interests of the nation over the individual & other countries. The difference between them is a question of degree, not of essence. Basically, protectionism is passive, mercantilism is active.