

Mercantilism: international trade and favorable balance: overview

[Economics](#), [Trade](#)



Discuss economic policies and institutions that characterized mercantilism systems 1600-1800.

During the Age of Exploration, mercantilism was the main economic philosophy. Mercantilism is a collection of governmental policies for the regulation of economic activities, mainly commercial activities, by and for the state. There are multiple ideas that characterize mercantilism. Mercantilism is characterized by the country applying policies and institutions such as the Navigational Acts, towards having a favorable balance of trade, extending borders, and having all of the economic goals set towards enriching the mother country.

Having a favorable balance of trade was essential to mercantilism. A favorable balance of trade meant that there were more goods leaving the country to be sold (exports) than there were goods coming into the country to be bought (imports). This allows the country to be making more money than it's losing. This means that the country will be making a profit instead of losing money or being at a standstill economically speaking. Jean Baptiste Colbert of France applied this idea to France by making France self-sufficient, so that France would not have to buy anything outside of itself meaning no imports.

He did this by setting up a system of state inspection and regulation on domestic goods. He made domestic industries meet very high standards on their products because then the French could buy high quality goods locally instead of buying the same goods internationally. Also, a key component for France's favorable balance of trade included Colbert applying high tariffs to

imports. This would encourage the French to buy less goods from other countries. This gave citizens a higher incentive to stop buying imports and to buy domestically made goods.

Now French goods were of high quality and they were much cheaper than imported goods. These two ideas (self-sufficiency & tariffs) that Colbert applied to France allowed mercantilism to enrich France through having a favorable balance of trade. The textile industry expanded enormously due to Colbert's policies, and " France... had become in 1683 the leading nation of the world in industrial productivity." This shows that France had successfully become self-sufficient, which means that the amount of imports coming into France were extremely low.

Having the mother country become wealthier was the goal of mercantilism. Colbert's policies were an effort in enriching France. He created a powerful merchant marine to transport French goods which allowed France to transport large amounts of goods easily and quickly when trading with other countries. Another country who had a powerful merchant marine was the Dutch. The Dutch East India Company is an example of the powerful merchant marine that the Dutch controlled during the 1600s. These countries both worked to control the trade of their country's exports. They wanted to increase the amount of exports to enrich the mother country. France did this by giving bonuses to French ship owners and builders while establishing a method of training for sailors.

This would allow France to be able to trade their goods quickly and efficiently making the amount of exports increase. The Dutch also used trade

merchants to bring the Netherlands prodigious wealth. The Dutch merchant marine was the largest in Europe. They controlled trade, and since they dealt in bulk no country could undersell them.

The Dutch East India company was a joint stock company that dealt with the transportation of goods. The company was extremely successful, and with the combination of the Dutch merchant marine and companies such as the Dutch East and West India Companies, the Netherlands enjoyed a great amount of success due to mercantilism. Both France and the Netherlands increased their amount of exports by creating powerful merchant marines.

Mercantilism being the main economic philosophy during the Age of Exploration allowed countries like the Netherlands and France to become extremely wealthy. France used Colbert's policies of self-sufficiency, high tariffs on imports, and a powerful merchant marine to create a favorable balance of trade for France. The Netherlands had become the financial center of Europe through controlling trade by having famous exports and successful transportation companies such as The Dutch East India Company.

This allowed the Dutch industries to enrich the mother country. These policies from both countries are key components to what mercantilism is. Mercantilism is characterized by the country applying policies and institutions towards having a favorable balance of trade and having all of the economic goals set towards enriching the mother country.