

Economic ideas of mercantilism in comparison

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Mercantilism was an early capitalistic economic concept, which was based on the following principle: the only sources of a country's wealth are the money funds and precious metals it possesses, so the more money a nation has the richer it is supposed to be. According to this theory, the government has to follow the policy of protectionism and keeping the money inside of the country, encouraging only domestic trade and the exports, at that reducing the imports and creating maximum trade surplus.

This theory was severely criticized by an outstanding Scottish philosopher and economy theorist Adam Smith, who argued that the welfare of the country can not be measured only with money. The main difference of Smith's theory from mercantilism is his conclusion that not only money accumulation, but also free market and vivid international trade, healthy industrial competition, make-work activities, product exchange and other factors of free market economy are essential for boosting national welfare.

In addition, Smith was against the necessity of tough governmental control of the exports and imports, as well as against of any sorts of trade barriers, market limitations and restrictions imposed by government. He claimed that only market forces have to determine the types and volumes of manufacturing, the directions of international trade, etc. He was convinced that national economy itself will find the most effective ways of own development.

Undoubtedly, the findings and ideas of Adam Smith are more influential and important for modern economy, because now the majority of the countries practice one or another form of free market economy. But there are still

supporters of the mercantilist ideas, who argue that exports bring more positive outcomes to national economy (new working places, new incomes, etc.) than the imports do, and that is why the exports have to be encouraged.

References:

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