MERCANTILISM

Mercantilism was a theory and system of political economy prevailing in Europe from the decline of feudalism and the rise of nation states (15th & 16th centuries) until the publication of the ideas of Adam Smith (1723-1790), in his book, *The Wealth of Nations* (1776). Some nations, notably Spain, practiced mercantilism into the nineteenth century.

- A country’s wealth was measured by the amount of gold and (*specie*) it possessed.
- Wealth in the 17th and 18th centuries equaled power.
- In order to obtain wealth (gold and silver) a country must obtain colonies to provide it with wealth.
- The mother country and her colonies, working together, must become a *self-sufficient unit* that does not need to rely on imports from other countries and their colonies.
- The mother country and her colonies together should have a *favorable balance of trade* in respect to the rest of the world.
- Colonies should *not compete* with the mother country, rather they should *complement* the mother country. If the mother country is involved in manufacturing, the colonies should not be.