The Economic Policies of Mercantilism

Marx wrote as follows:

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads the commercial war of the European nations, with the globe for a theatre. It begins with the revolt of the Netherlands from Spain, assumes giant dimension in England’s Anti-Jacobin War, and is still going on in the opium wars against China, &c.¹

Indeed, capitalism found its foothold in those European nations, which real-ised their internal unity in the process of settling external conflicts with others. On the world-historic scene, however, an intense competition for commercial hegemony ended in the victory of England, where the ‘momenta of primitive accumulation’ reached ‘a systematic combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system’.² Its mercantilist policies throughout the seventeenth and eighteenth centuries created the groundwork for the birth of capitalism. As Marx observes, the same momenta still lingered even in the nineteenth century outside Europe, and all the more so in the more distant places.* Yet, they no longer appeared as the ‘systematic combination’ which earlier characterised the stage of mercantilism.

*Even mature capitalism, in which industrial capital became dominant, never entirely outgrew its original characteristics shaped by the activity of merchant capital. Thus, during the nineteenth century, even as the age of industrial capital established itself, traits of mercantilism which had typified the economic policies of merchant capital in earlier centuries persisted, in international relations in particular. Capital must, of course, assume its industrial form in order to impinge upon the economic base of

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² Ibid.
society. Yet, to regard industrial capital alone as the genuine form of capital is to overlook its essential character, thus making it difficult to appreciate the important fact that capital failed to govern a whole society before it developed its industrial form. Production did not belong to the original function of capital; for capital is not always an essential and indispensable form of social life. It is, moreover, for that reason that merchant capital remained the dominant form of capital during the formative stage of capitalism, and that even the subsequent dominance of industrial capital never completely obliterated the characteristics of merchant capital. The same fact also explains why the development of capitalist industry ended by generating the form of finance-capital at a later stage.

The formative period of capitalism corresponded with the world-historic process of transition from medieval, feudal societies to modern, bourgeois society. This transition was accelerated by the accumulation of merchant capital, which grew by resorting to the method of ‘expropriation’. Merchant capital, however, was not vested with sufficient powers to enforce such a process by itself. Surviving in various pre-modern societies, yet remaining always external to them, merchants never entrenched themselves as a leading class in any one of them. For this reason ‘the power of the state’ which, in a ‘hothouse fashion, hastened and shortened the transitional process’\(^3\) played a significant role. Moreover, the state, too, was undergoing the transitional form of the absolute monarchy, which retained a considerable dose of feudalism, while being ‘itself a product of bourgeois development’.\(^4\) The world-historic significance of the royal policies, which expedited this transitional process, lay in the opening up of the national (or home) market for the commodity-economy, even though the latter had failed as yet to develop its own method of production.

The emerging nation-state in the form of the absolute monarchy assisted the development of capitalism by political and fiscal measures, as modernisation meant, in the first instance, the securing of the fiscal base of the nation. This was accomplished by the break-up of traditional political relations characteristic of feudal society, which obstructed the internal development of capitalism. Yet the methods of overcoming feudalism were themselves feudal, and often aimed at extending the scope of application of traditional practices to a nationwide scale. The policies that the state adopted to foster the enclosure movement, which, as remarked before, turned England's arable land into pastures, were typical. The flourishing of the Flemish wool industry in the fifteenth and six-

\(^3\) Ibid.