

THE REBOUND OF MERCANTILISM AND GLOBALIZATION DEFICIT IN THE CONTEMPORARY POLITICS OF INTERNATIONAL ECONOMIC RELATIONS

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Abstract

The global economic system has traversed mercantilism through liberalism to the globalization of the international system. However, this paper observed centripetal and centrifugal forces towards globalization. The objective of the study to unravel the nuances and intricacies tend to sustain the inherent trappings of mercantilism militate against the socio-political and economic projections of globalization in the world. Our data were garnered from secondary source, through Documentary Method of data collection and were analyzed with Content Analysis. Theoretically, we adopted Games Theory as a fulcrum around which this study revolved. The theory maintained among other propositions that the actions of the actors (states) in the international arena are fundamentally determined by the calculated payoffs. Decipherable from the study is that in spite of the projections of lofty principles and packages of globalization to the state actors, mercantilism holds sway because the players (state) in the international arena believed that for the economy to grow, there will be some influence or meddlesomeness of the state, therefore, they adopted different types of protectionism to enhance payoff which is at variance with the stipulations of globalization. However, we suggested among others that the states should moderate the classical mercantilism which is more antagonistic and destructive to have benign mercantilism by adopting constructive protectionist principles.

Key Words: Economic Relations, Free-Trade, Globalization, Mercantilism and Protectionism

1. Introduction

Man as a gregarious and materialistic animal abhors any trace of isolated life. The two major attributes of man (gregarious and materialistic) appear to be centripetal and centrifugal forces to peaceful coexistence of men in the society. Indeed, the gregarious nature of man enhances his inherent desires for friendly and communal living, whereas the materialistic tendencies of man propel and distill atavistic greed in men which repositions man against man in their terrestrial existence. This is so because of the fact that the fundamental survivability of man depends on his ability to access and/or gather his material well-being through labour. Essentially, the locus for actualization of the material needs of man is ‘production’ which is social in nature. Hence, for anything of material value to be produced in the society it must involve two or more individuals who corporate and coordinate to produce tangible and intangible goods (Ake, 1981). In the relationship parlance, conflict is bound to occur. The same scenario appears in the global community where the component states assume the positions of individuals. More so, for production to be completed, it must get to the last consumer through a medium known as ‘trade’.

However, the guiding principles that would regulate and enhance state accumulation of wealth through trade lured the international political economists into ruminating on the ideologies of international trade. This ideology among others defines the relationship cum roles of the state on the economy. As a result of selfish nature of man, the earliest trade ideology practiced in the pre-capitalist era was **mercantilism**, a situation where the state does everything humanly possible to actualize trade surplus by protecting the infant industries. Subsequently, the protectionist activities of the state in the economy degenerated to economic hitches and stampede that made the international system to appear like jungle where the survival of the fittest reigned supreme. To salvage the situation, Adam Smith in his magnum opus, ‘the Wealth of the Nation’

projected **liberalism** as the sure way of enhancing the wealth of nations by removing trade hurdles. In line with the liberal principles, David Ricardo added comparative cost advantage which restricts nations to the production of goods according to their natural endowments (Balaam & Dillman, 2011).

Nevertheless, the concept of **globalization** emerged as a panacea to shove off vestiges of protectionism in liberal economic regime. Globalization ardently projected a free flow of intellectualism and unfettered movement of goods and services through trade. However, since the adoption of globalization as the best economic system, it has not recorded protection free because the state actors in the global setting have been incessantly devising one protectionist principle or the other to corner the market so as to enhance balance of trade and payment surplus in the international arena. With this development, it appears that the international economic system is retracing the mercantilist ideology in situations of conspicuous projection of globalization. Worthy of note also is that the apologies of globalization, in their bid to curb the trade hurdles, necessitated avalanche of trade talks known as ‘trade rounds’. Each of the rounds is prepared to tackle one protectionist principle or the other. Be that as it may, the paper is designed to interrogate the nexus and intricacies that sustain the mercantilism in the global economic system. For the purpose of brevity and precision, the study is structured under the following paradigms: introduction, clarification of globalization, mercantilism and international economic relations, theoretical nexus, mercantilist principles in the global economy, the state of the modern globalization, conclusion and prognoses.

2. Clarification of Globalization

One of the key terms in this discourse is globalization. Hence, this segment of the study will clarify the concept of globalization. To begin with, McGrew (1998) sees globalization as a process which generates flows and connections, not simply across nation-states and national territorial boundaries, but between global regions, continents and civilizations. This invites a definition of globalization as: ‘an historical process which engenders a significant shift in the spatial reach of networks and systems of social relations to transcontinental or interregional patterns of human organization, activity and the exercise of power. Emphasizing cultural aspect, Jameson (1998) contends that globalization is a cultural process that names the explosion of a plurality of mutually intersecting, individually syncretism, local differences; the emergence of new, hitherto suppressed identities; and the expansion of a world-wide media and technology culture with the promise of popular democratization, as economic process, the assimilation or integration of markets, of labor, of nations.

According to Al-Rodhan, and Stoudmann (2006), globalization is a process that encompasses the causes, course, and consequences of transnational and trans-cultural integration of human and non-human activities. Similarly, Hebron & Stack (2013) viewed globalization as the further development of the process initiated over many centuries, reflected in the trade expansion, exploration, conquest, migration, colonization, technological advancement, and so on that have taken place throughout world history. Different scholars have tried to define globalization from various perspectives but as far as this study is concerned, it is important to know that globalization is not a new phenomenon. It is part and parcel of the process of expansion across continents based on migration, trade, warfare, military alliances, conquest, exploration, colonization and technological advancement. Contacts among states, societies and people from Stone Age till now have knitted the world in the shape of interdependent patterns which attenuated and intensified overtime. The outcome of the process of globalization is characterized by unpredictable, far-reaching and ongoing changes (Hebron & Stack, 2013). The conception of globalization cannot be exhausted in the existing literature hence; we can leap to the next concept that needs to be clarified which is mercantilism.

3. Mercantilism Demystified

Another key word in this discourse is mercantilism. Indeed, economic mercantilism both in the early modern era and today, arises in part from the tendency of markets to concentrate wealth and to establish dependency or power relations between the strong and the weak economy. In its benign or defensive form, it attempts to protect the economy against untoward external economic and political forces. Defensive mercantilism frequently exists in less developed economies or in those advanced economies that have begun to decline; such government pursue protectionist and related policies to protect their nascent economy or declining industries and to safeguard domestic interest. In its more malevolent form, economic mercantilism is the

conduct of economic warfare. This type is more prevalent in expanding power the classic example is Nazi Germany (Gilpin, 1987).

According to Balaam and Dillman (2011), mercantilism is the oldest and psychologically most deeply embedded of the three international political economy perspectives. It accounts for one of the basic compulsions of all people and nation states to create and sustain wealth and power in order to preserve and protect the nation's security and independence from any number of real and imagined threats. Going further, they maintained that classical mercantilism connotes efforts by states to promote exports and limit imports, thereby generating trade surpluses that would enhance state wealth and power while protecting certain group within society. Mercantilism is a trading system where a nation tried to impose a positive trade balance (more exports than imports, particularly value-wise) on other nations to favor the accumulation of wealth. This system was prevalent during the colonial era and often undertaken by charter companies receiving a monopoly on trade. Mercantilism represents the antithesis of free trade since trade relations are controlled and aligned to benefit of one partner at the expense of others. Still, mercantilism established the foundations of a global trading system, albeit an unequal one

4. International Economic Relations

Economy in the view of Marxian scholars is social in nature. Therefore, the concept of economic relations is derived from this social nature of economic activities. This implies that for one to produce anything of material value, it must involve two or more persons (Okonkwo, 2016). Economic relations however, denote the relationship of individuals in the production processes. In the internal cum domestic setting, it means the relationship between the owners (bourgeoisies) of the means of production and the workers (proletariats) which is seen as master-servant relationship, where the former is hell bent in exploiting the latter. In reciprocation, the latter insists on status quo change

An international economic relation on the other hand implies the relationship between states in the international community. The whole paraphernalia cum attributes of the domestic relations are reflective in the international relations. This is so because as the states assume the position of individual in the arena of committee of states, they struggle to have a better position in the decision-making circle so as to protect the domestic economic fabrics, thereby bringing about the centrifugal and centripetal forces of status quo change and maintenance. With the brief clarification of the major concepts in the study, the focus and understanding of the work is sharpened. Hence, we delved into the next segment of the study which is theoretical nexus.

5. Theoretical Nexus

This study is carefully structured to revolve around the analytical context of Games Theory which centers on a body of thought dealing with rational decision strategies in situations of conflict and competition, where each participant or player seeks to maximize gains and minimize losses (Plano & Riggs, 1973). The theory was originally developed by Emil Borel in the 1920's. Other key proponents of the theory are John Von Neumann (Mathematician) and Oskar Morgenstern (Economist). It was however introduced into Politics and International Relations by Morton Kaplan, William Riker and Thomas Schelling (Varma, 1980). It is a framework or construct for conceiving social situations among competing players. In some respects, game theory is the science of strategies, or at least optimal decision making of independent and competing actors in a strategic setting. It studies interactive decision-making, where the outcome for each participant or player depends or is contingent on the actions of others.

In games theory, players are supposed to be engaged in choosing alternatives. Each player in the game has to decide his choice after taking the point of view or move of other opponents or competitors. In other words, each player has to base his decision on his expectations of what the other players are likely to do. The theory is therefore a special construct which helps us in analyzing decisions in conflict or competitive situations, coalition behavior, diplomacy, warfare, elections and party politics. It has "a wide range of applications including psychology, evolutionary biology, war, politics, economics and business". (Hayes, 2019).

Generally, it can be said that:

The theory of games or game theory as it is popularly called, owes its genesis to parlour games, like chess, chicken, porker or bridge, with obvious elements of conflict, decision-making and co-operation, played between two or more players, where the

decisions of each player are contingent upon the decisions of others, and the central point, therefore is the inter-dependence among the decisions of the different players participating in the game....The crux of the parlour games is that it is not possible for any one player to make a choice: whatever choice he makes depends inextricably on the choice or the choices made by the other players, (Varma, 1980, p.341).

From the 1960s, the theory was used to study the power games or strategy of each of the Super Powers (USA and USSR), to counteract each other's move in their rivalry or competition and this popularized it. The theory is based on certain assumptions some of which are described by Varma, (1980: 351), as inbuilt features of the theory. These include:

- 1) At least two players competing but could be many depending on the game.
- 2) Perfect rationality- decision makers are perfectly rational in their choice of alternative courses of action.
- 3) Perfect information availability- each player has at its disposal, knowledge of all possible prospects and strategies open to him at any point in time in the game, competition or bargain.
- 4) Amoral decision making- decision makers are amoral in their decisions. They are not interested in ethics. The player, according to Fletcher, (1966, in Varma, 1980, p. 351), is "concerned with outcomes and not with intermediate processes, with the strategy his partner is likely to choose and not why he chooses that particular strategy...Motives and attitudes are kept out of consideration. Lying, murder, abortion, suicide or violence is to be judged by their consequences and not in terms of absolute laws".

By a way of application, human relations at any level is paramount in our terrestrial existence, be it in groups, communities, societies or states. Without mincing words, the propelling motive behind these relations at any stage is to enhance a better living through influential economic bargains. As a result, the component states in the international community adopt the games system by strategizing and re-strategizing with primary aim of getting the pay-offs accruing from the relationships. This is evident in the adoption of the earliest economic ideology known as classical mercantilism when the states protected the infant industries to ensure economic independent. With this ideology, the western countries were able to produce and saturate their markets with finished goods and needed markets for raw material and distribution of the products. To achieve this, they started projecting liberalism as against the mercantilism. At the stage of liberalism, the developing countries were conspicuously engaged in protectionism simply to attract some pay-offs. To shove off all the traces of protection in the global market, the developed countries launched globalization as a socio-political and economic ideology that turned the world into a global village.

This development however brought about dependency of the less-developed countries on the developed ones. In their bid to counteract and wriggle out of the shackles of the dependency, the less-developed countries adopt different protectionist measures to enhance the pay-off in the international trade. By extension, the more the international arena involves struggles among the component units, the more the states adopt protectionist measures, the less adherence to the principles of globalization and the more the mercantilist principles tends to rebound.

6. Mercantilist Principles in the Global Economy

Mercantilism as an economic ideology has some fundamental principles. Therefore, this segment of the study is saddled with the responsibility of identifying them and discussing their latent or manifest reflections in the global economy. According to Balaam and Dillman (2011, p.47) the principles of mercantilism involve the following:

1. Establishment of colony by the state;
2. State control and regulation of trade;
3. Exportation of raw material and resources from colony to mother country;
4. Exportation of finished goods from mother country to the colony and
5. Actualization of favourable balance of trade and payment for mother country.

Mercantilism is generally a nationalistic protectionism in trade which is also seen today in spite of the adoption and seemingly adherent to globalization in government tariffs, tax holidays, ban on the inflow of certain goods into a nation and licensing. The practical example in Nigeria is the Local Content Policy implementation that began in 2002 even though the Act was passed in 2010 by the President Jonathan Goodluck to promote the growth of indigenous capacity in technology and the oil economy. On the area of the principle of establishment of colony, the developed countries venture into it by establishing Foreign Direct Investment (FDI). This helps them to have investment in another country where they normally generate revenues which are not expended in the colony/domain where the industries are sited but moved to the mother country for its development.

Indeed, states still control and regulate trade in the face of globalization. Coleman (1969) noted that those who taught mercantilism is obsolete indirectly accepted mercantilism by switching to the term neo-mercantilism, while others adopted the new terms like cameralism, imperial mercantilism and pseudo-mercantilism, and opposing concepts like anti-mercantilism, fiscalism and semi-fiscalism.

Mercantilist fundamental emphasis on international trade to be based on a nation exporting more than her imports to ensure balance of payment is still the driving force among nations in today's international trade, although with lots of reforms to accommodate the modern-day realities. Thus, Rich (2003) observed that if mercantilism is to be compared as a religion, mercantilism is like Catholicism, harmed by reformations. He further argued that mercantilism is a fundamental requirement of a viable fiscal policy option designed for nation-building. Mercantilist perspective for acquisition of national power based on trade relations is still working today in pursuit of national interest and power among nations. This is because economic power comes from trade, and helps a nation to develop technical, cultural, biological, educational and military powers. It takes one aspect of power to get several other aspects of powers. An example is China's huge economic resource base and power in international trade which made it the fastest growing economy in the world thereby making it possible for China to pump in US\$1 billion in robotic engineering as she envisioned being the number-1 leader in the world by 2030 in developing and marketing Artificial Intelligence (AI).

Golob (1954) attests that mercantilism is always an evolving principle of the function of the state in socio-economic activities. Also, the looming trade war between America and China which is making President Donald Trump talk tough on imposing sanctions on China is caused by taking mercantilist position (protectionism) as each country tries to impose or raise tariff against the other in defense of her domestic industries and export promotion. Mercantilism provided a launching pad upon which international economic relations thrive today, which include trade — manufacturing-, production-, export- and profits-driven, commerce, industry, government regulation, employment generation, etc. that are modern economic phenomena inherent in mercantilism. Rich (2003) noted that despite the glories of mercantilism in the past, there are sequential misleading attacks that have discredited mercantilism as a spent philosophy irrespective of its present contributions thereby making it appear as a mere topic for historians.

7. The State of the Modern Globalization and Mercantilism

Although, mercantilism is mostly viewed as an outdated economic theory, there has been emergence of mercantilist policies in recent times. Present day mercantilism typically refers to protectionist policies that restrict imports to support domestic industries. It can sometimes be referred to as neo-mercantilism. However, the modern mercantilist policies include tariffs on imports, subsidizing domestic industries, devaluation of currencies and restriction on the migration of foreign labour. Mercantilism policies can also explain the recent escalation of tariffs and trade restrictions between the US and China (CFI, 2020).

Mercantilism laid the foundation for today's nationalist and protectionist economic policies. Nations felt they lost power as a result of globalism and the interdependence fostered by free trade. The Great Recession, like the Great Depression, aggravated a tendency toward mercantilism in capitalist countries. For example, in 2014, India elected Hindu nationalist Narendra Modi. In 2016, the United States chose Donald Trump for the presidency. Some observers considered Trump's policies a form of neo-mercantilism. In response, leaders like U.S. President Donald Trump advocated expansionary fiscal policies, such as tax cuts, to help businesses. He also argued for bilateral trade agreements between two countries, rather than multilateral agreements between many countries.

Mercantilism opposes immigration because it takes jobs away from domestic workers. Trump's immigration policies followed this mindset. In 2018, Trump's mercantilist mindset contributed to his launch of a trade war against China. Trump imposed tariffs on Chinese imports, and China responded with its own policies that hurt U.S. exports. Despite announcing a "Phase 1" deal to end the trade war in 2020, President Trump left office without ending the trade war. In fact, with roughly a week left as president, the Trump administration imposed a new round of trade restrictions covering tomato and cotton products from China, citing concerns over slave labor in China.

8. Conclusion

International economic relations have passed through different ideologies as formulated and projected by the international economic vendors, ranging from classical mercantilism, liberalism and globalism. Discernible from the study is that all the ideologies have their inherent advantages and disadvantages to the countries of the world. To begin with, mercantilism enhanced economic expansionism to the western world by according the powerful and vibrant states the leverages to acquire and maintain balance of trade and payment surpluses. This situation invariably varies inversely proportional to the developed and the developing countries. On the other hand, it brought about economic stampede and stagnancy because the protective principle inhibited free flow of goods and services in the international community. The worst of it all is the debilitating economic wars engendered by the atavistic protections among the capitalist nations of the world.

To eschew the economic stampede and evacuate the goods that saturated market as a result of accumulation of bullions by states, liberalism which Adam Smith propounded as a way of creating the wealth of the nations is necessitated and projected by the developed countries. This ideology among others gave room for unrestricted flow of goods and services in the international arena. On the part of the developing world however, it breeds unmitigated dependency and imperialism. This is informed by the asymmetrical technological knowhow of the states in the international system, which adversely affects the balance of payment and trade of the economic backward states. As a result of the lopsidedness, the disadvantaged states still reneged from the prescription of liberalism and adopted some principles of mercantilism in order to remain in the scheme of things in the international setting. With this in place, the world committee of states conveyed meetings called 'trade rounds' to tackle the vestiges of mercantilist principles in the world trade. It was in one of the rounds that the idea of globalization was initiated to jettison all traces of mercantilism. In spite of the globalization mantra, the mercantilist sentiments subsisted where the states adopt one protectionist measures or the other, just to ensure surpluses in the balance of trade and payment calculus. This advertently or inadvertently meddles with fundamental principles of globalization, reflecting a rebound of mercantilism and globalization deficit in the contemporary economic system. However, the ways forward are suggested below.

9. Prognoses

Having unraveled the nexus between the rebound of mercantilism and the global deficit in the international economic system, we make bold to suggest ways forward. Hence the prognoses among others include the following:

1. The international system should out rightly reject malevolent mercantilist principles. In as much as we know and understand that morality is not the decisive guiding principle in the international relations, we should remember that action and the corresponding reaction are inevitable parts of our existence. If a country in anticipation of having balance of trade and payment surpluses invade another country in the name of establishment of colony to facilitate the inordinate ambition, what will be the reactions and positions of the invaded country? The remaining option in this circumstance is trade war which will be detrimental to parties involved and the world in general. This reflected in the eruption of the First and the Second World Wars, when the countries of the world were selfishly pursuing the mercantilist principles without regards to the implications in the long run.
2. Careful adoption of benign protectionism. The asymmetric nature of technological know-how and potentials of the countries of the world is glaringly clear. This international posture breeds dependency of the less developed on the developed countries, which weakens the confidence of the affected sovereign states

in terms of balance of trade and payment statuses. To wriggle out of the predicament, the international community should allow states to lay helping hands to the economy by subsidizing agricultural and industrial inputs as well as containing importation through quota system. These will help the infant industries to survive the competition in the international system. On the area of quota, it will reduce the quantity of goods imported in a country instead of outright ban. This will go a long way in encouraging both domestic economy and the international economy alike. With this in place, the globalization principles are moderated and the rebound of mercantilism is checked.

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