

A historical painting of a busy harbor scene. In the foreground, a large crowd of people is gathered on a wooden pier or dock. In the middle ground, several large sailing ships are docked at the pier. In the background, a large, multi-story building with a central tower and arched windows stands prominently. The sky is filled with a hazy, golden light, suggesting a sunrise or sunset. The overall style is that of a 17th or 18th-century historical painting.

Mercantilism

1. Introduction to Mercantilism

What is Mercantilism?

- the theory that a country's power depended mainly on its **wealth** to build **strong navies** and purchase **vital trade goods**.





What is Mercantilism?

- Mercantilism had no systematic, comprehensive, consistent treatise, no leader, common method, or theory.
 - Each “mercantilist” sought advantage for a specific, trade, merchant, joint-stock company or social group.
 - “Protectionism” is often seen as a primary characteristic of Mercantilism.
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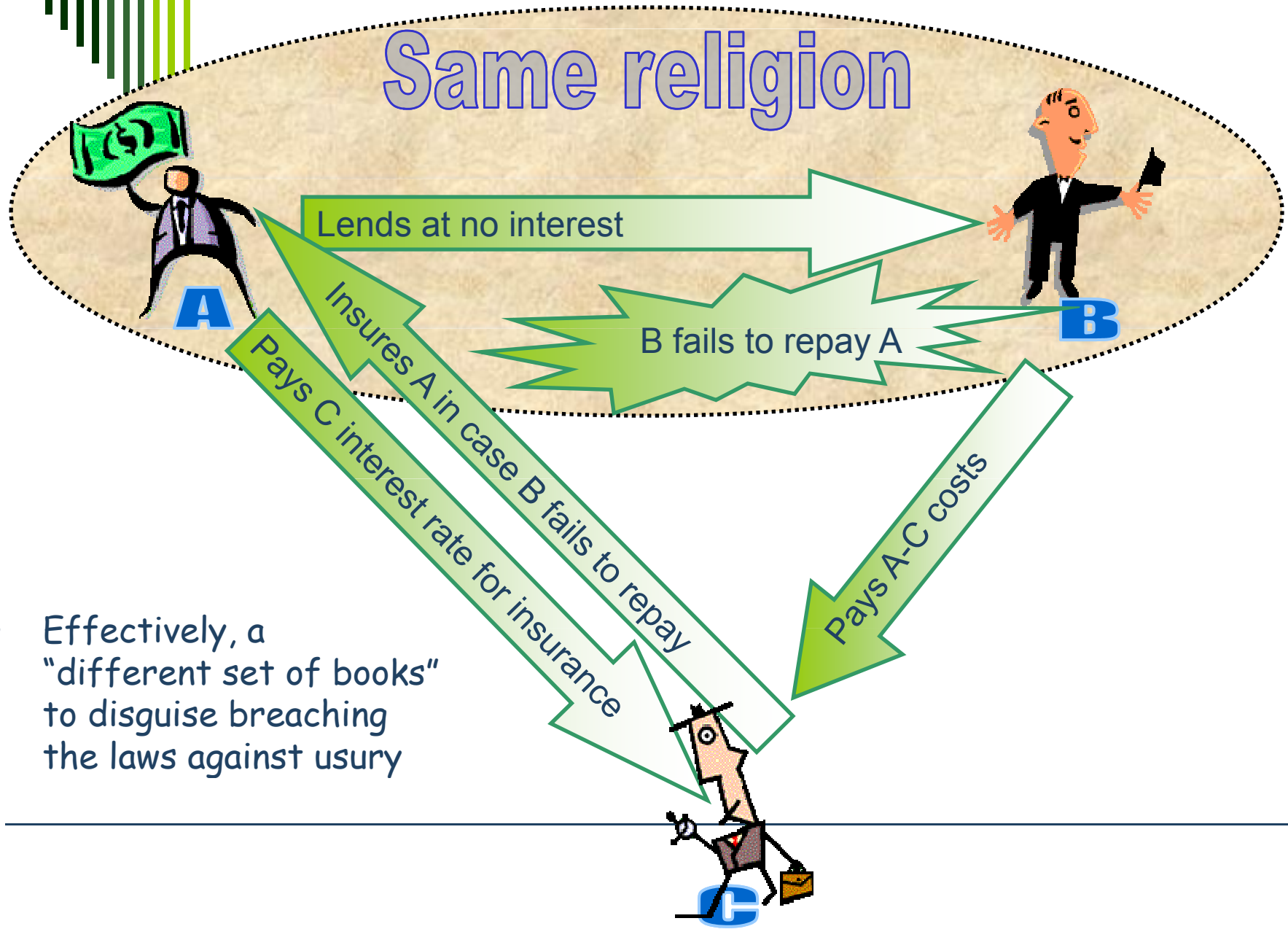


What is Mercantilism?

- The primary objective of Mercantilism was to increase the power of the nation state.
 - One of the important aspects of national power or strength was wealth that was equated with specie.
 - The states that followed a policy of mercantilism tended to see trade, colonialism and conquest as the primary ways of increasing wealth.
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Medieval fiction to circumvent anti-usury laws

Same religion



- Effectively, a "different set of books" to disguise breaching the laws against usury



Main Points of Mercantilism

- Economics as applied statecraft
 - Promotion of National wealth and power
 - Importance of trade surpluses
 - Trade surplus leads to a net gold inflow, and thereby to greater national wealth and power
 - Analogy between nations and households
 - Encourage domestic production and exports, discourage imports
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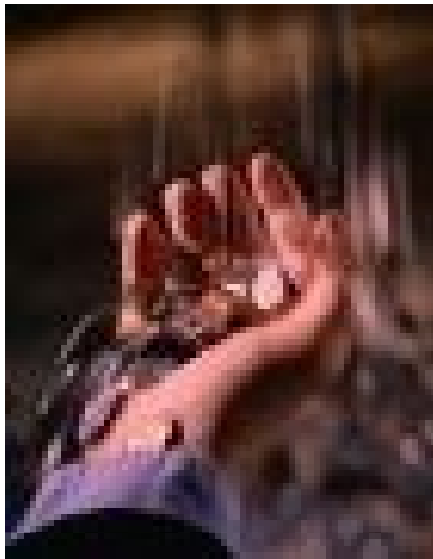
Main Points of Mercantilism

- Economics as statecraft not analysis
 - Tendency to see gold and “treasure” as constituting national wealth
 - Emphasis on balance of trade surpluses
 - Emphasis on maximizing productivity and output
 - Trade as a zero sum game
 - Role of government in encouraging domestic manufacturing and exports while minimizing imports
 - Link between money supply and prices
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Two Ways to Increase a Nations Wealth

- obtain as much gold and silver as possible



- establish a favorable balance of trade, in which it sold more goods than in bought



Mercantilism Explained

- ❑ colonies existed for the benefit of the Mother Country
- ❑ Source of Raw materials = **cheap**
- ❑ shipped to M. C. to be turned into finished goods
- ❑ Finished good shipped to Colony = **expensive**
- ❑ profit goes to M. C.
- ❑ Pass laws forbidding colonies from producing their own goods



Mercantilism = unfair or unbalanced trade

Triangular Trade

- Traders then exchanged these goods for captured Africans who were then sold in the Americas





Triangular Trade

- Merchants then bought sugar, coffee, and tobacco in the West Indies and sailed back to Europe to sell these products.





Long Term Results

- global trade routes shifted over time
- the old silk routes declined
- West Asia and the Islamic world were displaced as the centralized location of global trade
- the Atlantic and Pacific sea routes become the new focus of global trade

