

**Strategic Trade and protectionism Theories and Empirics**  
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**Lecture - 06**  
**Mercantilism**

Welcome to the second week lecture; second weeks first week first lecture. On detailed theories of international trade, we are stretching the theories in detail. Now this is the second week myself Dr. Pratap C Mohanty as a faculty member of Humanities and Social Sciences IIT, Roorkee.

We will carry forward the context which we started in the last class, discussed in the last week, especially on trade theories the introduction to trade theories we discussed so many examples on it. Especially, classical to modern, then the theories in between the evolution of theories over the time and the context of Portugal and you know England also the context of India and China.

So, we will carry for our further, to introduce Mercantilism in detail. So, before introducing Mercantilism as part of the NPTEL you know program on strategic trade and protectionism theories and poly empirics. Mercantilism is the foundation stone behind understanding international trade theories.

Now, once again to visit to discuss the introduction of trade theories, we let us discuss in the context of India and India must focus on areas it has comparative advantage rather than fear of rise of China or fear rise of China. So, should we fear the rise of China? The absolute answer the, you know obvious answer for India is no, quote and unquote no.

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**India must focus on areas it has comparative advantage rather than fear rise of China**

- Much of China's economic success is due to the rapid growth in its exports, specially in manufacturing
- Ironically this sharp divergence in their respective export performance has come despite the fact that while India was a founding member of WTO in 1995 China became a member only in 2001.
- China's economy is more than five times larger than India's and its manufacturing sector is ten times India's but do these factors alone explain China's success in exports?
- Or does one need to delve a little deeper? After all, India has some of the world's largest reserves of iron ore, bauxite and manganese.



<https://www.financialexpress.com/india-news/india-must-focus-on-areas-it-has-comparative-advantage-rather-than-fear-rise-of-china/37859/>

swayam 2

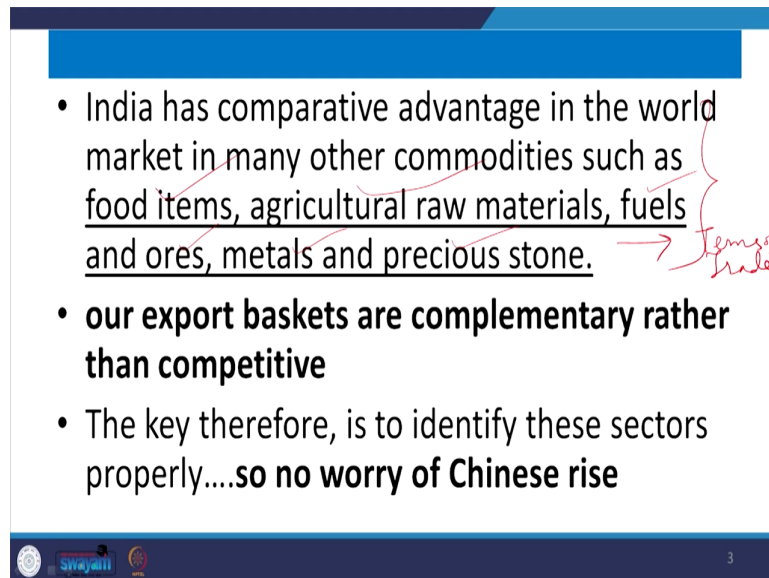
Because of the fact that, China though in the internal context the largest economy now, and five times larger than India's economy and manufacturing sector wise it is ten times higher than India, but these factors alone explain China's success in exports. And that too especially for manufacturing, manufacturing exports.

Now much of Chinese we know economic success is due to rapid growth as exports, especially in manufacturing which I have said. Now, it is very ironic, because of the divergence in their respective exports performance and has come despite the fact that, while India was a founding member of WTO in 1995 China become a member only in 2001.

So, India has a you know stronger bonding with a WTO you know discussions and rounds where, China does not have. So, India you know has better repo in various context. So,

defining further the Chinese story of India's concern, now world's largest reserves of iron ore, bauxite manganese etcetera are with India not with China.

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- India has comparative advantage in the world market in many other commodities such as food items, agricultural raw materials, fuels and ores, metals and precious stone. → Terms of trade
- **our export baskets are complementary rather than competitive**
- The key therefore, is to identify these sectors properly....**so no worry of Chinese rise**

Similarly, India has comparative advantage in the world market in many other commodities. Such as food items, agriculture raw materials, fuels, ores, metals and precious stones. So, China has only one that is manufacturing.

And while we on this try to we know discuss these context these is a other products we also simultaneously keep in our mind emotionalizing growth, stories, growth you know the theories which was propagated by Jagadish (Refer Time: 04:24).

And it is International competitiveness, especially for the case of; for the case of terms of trade. And further, to the context of Chinese and Indians products and India's Orion Chinese

rise for a obvious answer for India not to be worried because of further the our products are highly complementary.

So, one product derives the demand for another products. So, there are high chances or products to be exported to internal market sustainably, where it China does not does not have. If you analyze, Chinese story in detail. So, what do you think? And, what do you think? China will take all the advantages over the time? I do not think so.

What are your responses? What other aspects China has you know made you know complete advantage ok. Packaging which I have said a bit designing. Anyway these all these things are actually link to; link to; the context of; context of in the manufacturing, but why do why do you forget the fact that India has huge advantages in service sector and software is well software; software industries as well.

So, though we are we are you know little back to or stepping or little you know behind to those economies, but our progress is quite significant magnificent. So, therefore, we should not you know worry about it. So, what kind of readings we must follow since, we are going to the deep deeper aspects of international trade in the last week, I have given a complete or a gamut upon a standing of International trade and how trade must be connected to each other.

You can see my background picture which were set deliberately to understand, how its countries are actually connected with their safes. So, one country to another country another countries is attacked another countries are attacked in different manner (Refer Time: 06:46) fast country to another country. So, look at the background and try to understand further.

Now, I did not give the readings in the last because, of the fact that you should not be confining your understanding just based on a textbook. These are given these contexts were actually, jolted it down from various sources from Internet, from books from; from various debates, from YouTube. So, those sources I collated and presented **before** you.

Now, here since, we are digging further to us the understanding of theory and strategic trade through classical and modern theories. Now, onwards you must start reading some of this

standard text. So, I used to refer this in my various lectures, this book is; is quite good for International Economics and these theories for better understanding by Dominick Salvatore.

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**Readings:**

- Dominick Salvatore (DS): International Economics, Wiley-India, 10th Edition (Text Book)
- Robert Carbaugh (RC): International Economics: Cengage Learning, 11th Edition
- ~~Krugman & Obstfeld (KO): International Economics: Theory and Policy, Pearson, 8th edn.~~ *Differentiated - Maths -> Examples*
- World Trade Organization, 'International Trade Statistics' (ITS), Geneva, various years.
- *WIS* ~~RBI, GDCIS and IMF reports,~~ *DGFT* *Econ Economic Survey 2018-19*  
*RBI, UNCOMTRADE, DGFT, India ComTrade*

So, published by Wiley India, I think recently it has been changed to Pearson you have to check with the latest one. Now, similarly Carbaugh Robert Carbaugh is published by Cengage Learning and Krugman Obstfeld in another very good book, if you want to test with certain you know mathematical equations, maths and examples through a I mean explanation through examples and this book is one of the best.

And this book where Krugman is very famous for Advanced Trade theory, especially for in the context of Intra Industry Trade and the context or differentiated products. So, you have this book is very useful. Trade is not possible; trade information is not possible if you do not check the latest information from World Trade Organization.

So, this is which I have already said these are the organizations you know started. Due to the situation the you know experts, the you know the propagates of I mean different experts of **international** trade suggested the you know development of this type of top most organized in the world. So, World Trade Organizing you know covers captures various datasets for your better understanding.

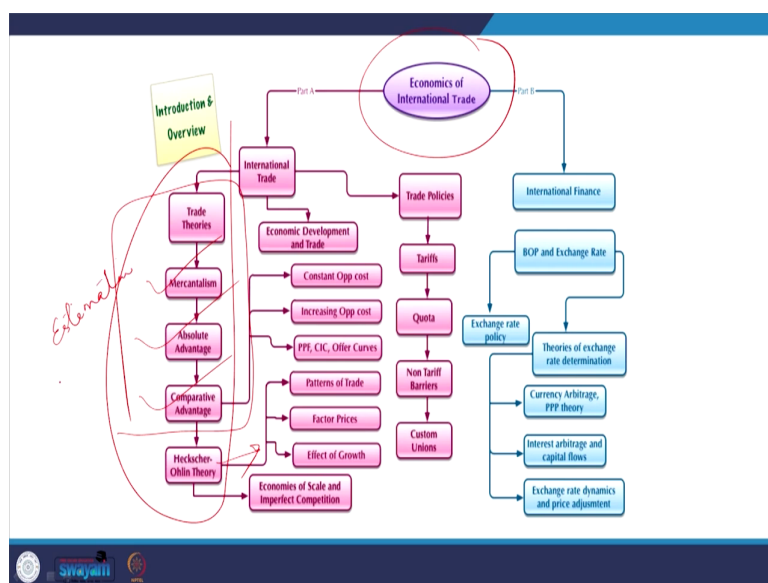
Similarly, **Reserve Bank from India**, GDC DGCIS this should be read as not GDCIS DGCIS; DGCIS and International Monetary Fund reports must have been also looked at what are the data I collected are from these sources only. Also I added I have already discussed economic survey, latest economic survey 2018 till 19 should also be followed. DGFT Director General of Foreign Trade India Com Trade or UN Comtrade also can be referred.

For data analysis RBI is one of the best source in addition to that; addition to that, been also refer UN Comtrade. So, things are actually written in and in those data sets are written in HS classification, Harmonized under code classification. Harmonized under codes are made because, suppose we are exporting a textile variety with certain name.

So, that name may not be the same in another country ,so they may not even read. For example, if you are exporting you know our product of which is competing with ITC, especially Ramdev's you know Patanjalis product. They write the product name is Dan Kanti. So, Dan Kanti may not be read correctly by you know any importer from another country, we have to actually make a HS classification for comparison while, analyzing data we must make the same code; same code with same classification.

Similarly, some of the you know entry point we make it in 2 digit level, 3 digit level, 4 digit level, but in other country that may not be in 4 digit level that may be in 3 digit level. So, you have to make a synchronization of it to under for a better understanding. In addition to that I will also be referring many newspaper article through the you know wake of my lecture, and many other information's will be attached in due course of lectures.

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So, this is the complete map and structure of the presentation for this week, especially for this week till this part we are referring in this week. These are all theories of internal trade this map is for theories of internal trade, this week we are covering Mercantilism, absolute **cause** advantage, comparative cause advantage a bit of Heckscher Ohlin, but we are stretching it into the next week.

Here we are explaining with various examples, various numeric examples some calculations estimations will be made for understanding the theory and strategies systematically. Now, let us jump into the section or the foundation of classical theory called Mercantilism. So Mercantilism, how to start with it? So, we are you know supposed to know. What is this? Which period is started? Who started and, what they suggest and, how they suggest? What are the context by which they suggested?

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## What is Mercantilism?

- a country's power depended mainly on its **wealth** to build **strong navies** and purchase **vital trade goods**. → *precious metals*
- Mercantilism had no systematic, comprehensive, consistent treatise, no leader, common method, or theory.
- "Protectionism" is often seen as a primary characteristic of Mercantilism.
- The primary objective of Mercantilism was to increase the power of the nation state.
- The states that followed a policy of mercantilism tended to see trade, colonialism and conquest as the primary ways of increasing wealth.
- The Term "Mercantilism" was coined by Maquis de Mirabeau (a physiocrat)
- It is a system closely associated with the rise of nations and the concept of **Nationalism**

swajani 6

So, what we found a country's power actually dependent mainly on wealth, it is their first suggestion wealth and strong navies or the movement were also propagated and purchase of vital trade goods specially, precious metals are suggested precious metals, metals should be procured as where their suggestions. Another point to note here is that, Mercantilism had no systematic or comprehensive or consistent treatise or explanation there are no such define leader in these regime, who did not suggest a common method or theory?

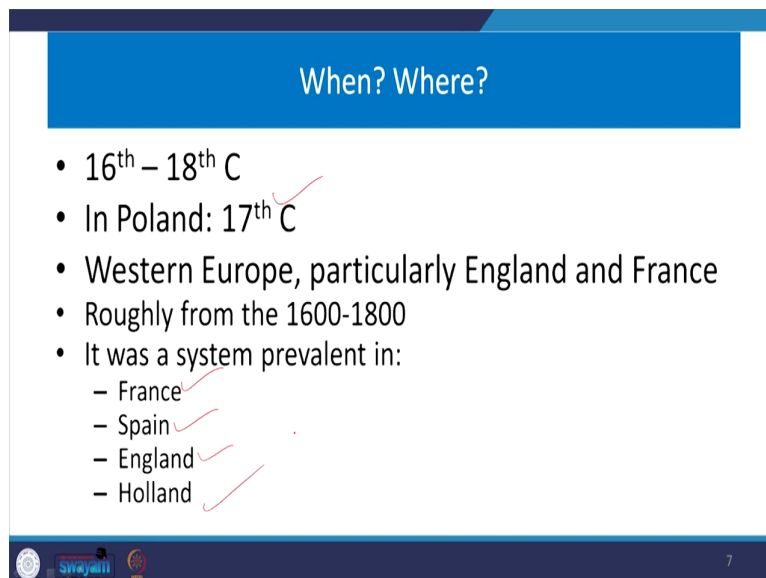
So, therefore, this theory did exist for a long and they did not claim as a base for you know international trade. Protectionism is often seen as a primary characteristic of Mercantilism, we will explain all those things in successive slides. Primary Mercantilism, I mean objective of the Mercantilism is to you know concentrate or increase power of the nation state. So, they proposed for restrictions and favor the nation state only. The states that followed a policy of



Mercantilism tended to see trade colonialism and conquest as the primary ways of increasing wealth.

The term Mercantilism was coined by Maquis de Mirabeau who are actually you know French Economist, and you know and their also called, I mean he is also called Physiocrat. Will they explain what are the condition of Physiocrat? So, it is a system closely associated with the rise of nations and the concept of Nationalism; Nationalism overemphasized in this regime.

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When? Where?

- 16<sup>th</sup> – 18<sup>th</sup> C
- In Poland: 17<sup>th</sup> C
- Western Europe, particularly England and France
- Roughly from the 1600-1800
- It was a system prevalent in:
  - France
  - Spain
  - England
  - Holland

swajani 7

Now, what are the time period we are referring to 16 to 18? Especially, you know for Poland it is referred in the 17th century. And the countries which you are you know following the mercantilist practices in this regime where, France, Spain, England and Holland these 4 countries.

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**Historical Background of Mercantilism**

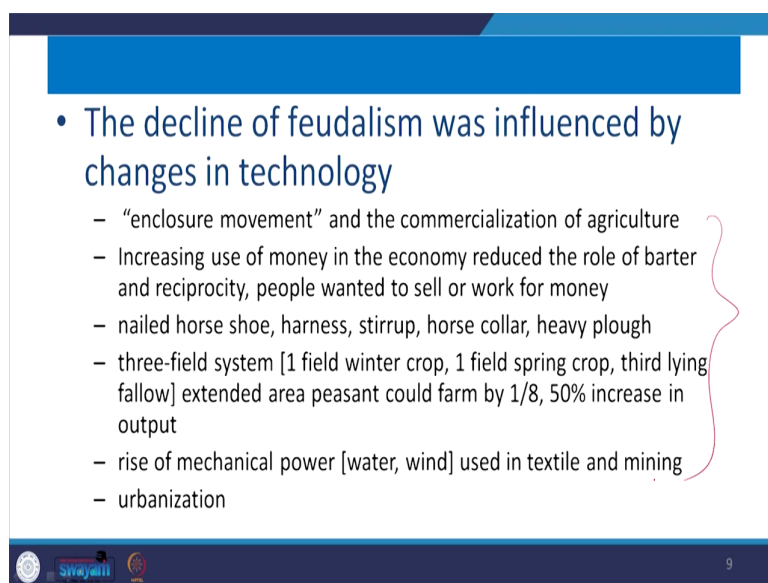
- Generally, Mercantilism is associated with the rise of the “Nation state.”
- Feudal institutions were weakened by the increasing use of money and a greater reliance on exchange within the economy.
- The Protestant Reformation weakened the role of the church and consequently the civil role of the state was expanded
- There was a rise of Humanism (the concern for well-being of humans in the short term).

swayam 8

So, what are the; what are the other historical note to Mercantilism? As I already say it in **Nation** state we live in nationalism or national state and which is disparate favoring you know free trade. Feudal institutions specially were weakened by the increasing use of money and a greater reliance and exchange within the economy.

So, that was also observed during that period. The protestant reformation weakened also and consequently the civil role of state was expanded because the state they believe majorly nation state or nationalism, so therefore, these two are actually negated. There was a rise of humanism you know the, I mean humanism as I already said the concern for well being of humans in the short term.

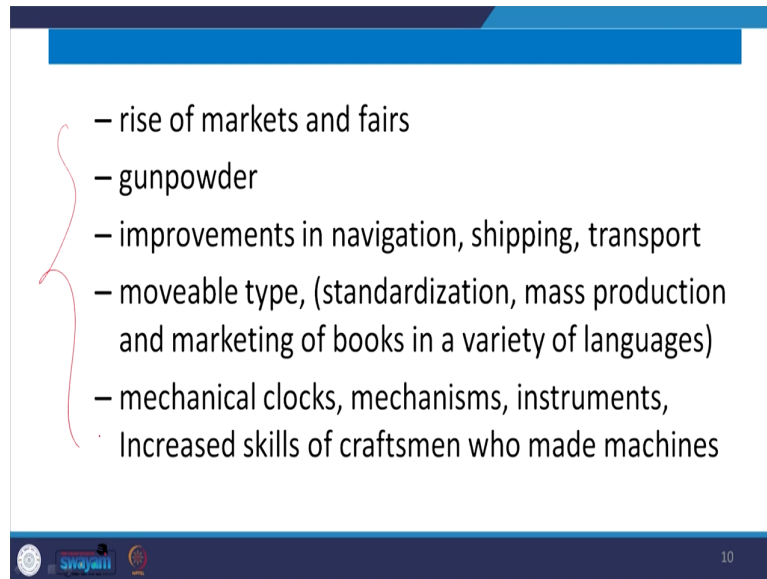
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- The decline of feudalism was influenced by changes in technology
  - “enclosure movement” and the commercialization of agriculture
  - Increasing use of money in the economy reduced the role of barter and reciprocity, people wanted to sell or work for money
  - nailed horse shoe, harness, stirrup, horse collar, heavy plough
  - three-field system [1 field winter crop, 1 field spring crop, third lying fallow] extended area peasant could farm by 1/8, 50% increase in output
  - rise of mechanical power [water, wind] used in textile and mining
  - urbanization

So, decline of Feudalism was influenced by a change in the technology miserly. I need not you may follow it from the slide it is clearly given, how much extent you know that has actually helped in deduction of feudalism. Similarly, what other factors actually has you know undermined the extent of feudalism are explained here. Especially rise of market, rise of technology, gunpowder, implementing navigation, exchange with other products, country’s movement’s etcetera.

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- rise of markets and fairs
- gunpowder
- improvements in navigation, shipping, transport
- moveable type, (standardization, mass production and marketing of books in a variety of languages)
- mechanical clocks, mechanisms, instruments, Increased skills of craftsmen who made machines

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## Main Points of Mercantilism

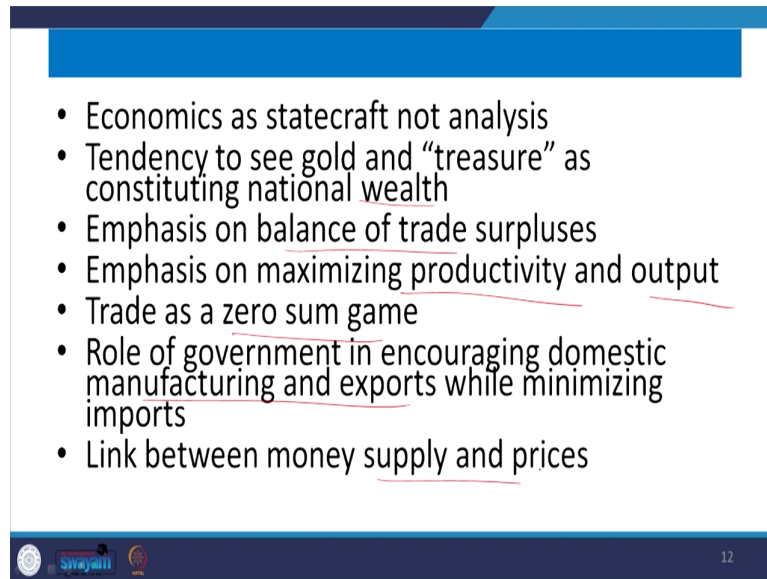
- Economics as applied statecraft
- Promotion of National wealth and power
- Importance of trade surpluses
- Trade surplus leads to a net gold inflow, and thereby to greater national wealth and power
- Analogy between nations and households
- Encourage domestic production and exports, discourage imports

11

So, what are the broad point then? So, they explain once again in nation state or state craft. Promote National wealth and power insert. Importance of trade surpluses especially, you know they are against to import you know favor the trade surplus.

Especially for gold inflow, precious metal as I already said. So, that has led to a greater national wealth and power. Analogy to this understanding to the understanding as I already; already said. So, the discussion is between nations and households, how households are actually beneficial. They encourage domestic production expose, therefore they can able to export and discourage heavily for the imports.

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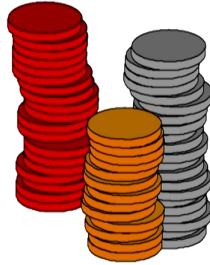
- Economics as statecraft not analysis
- Tendency to see gold and “treasure” as constituting national wealth
- Emphasis on balance of trade surpluses
- Emphasis on maximizing productivity and output
- Trade as a zero sum game
- Role of government in encouraging domestic manufacturing and exports while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

swayam 12

And economics is a state craft not analyzed clearly in their discussions. Similarly, they also talk about you know balance of trade surpluses, balance of trade specifically, I am mentioning because services sector was not emerged by their time. And they also proposed for zero sum game maximizing productivity and output and procuring wealth, I have only mentioned.

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## Bullionism



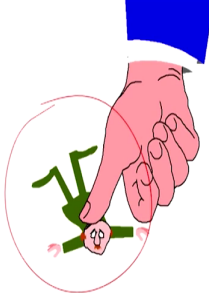
- Belief that economic health of a nation is measured by the amount of precious metals (gold and silver) it possesses
- Spain is the Richest country because of the gold and silver from its colonies in Latin America

A role of government in incurring domestic manufacturing exports. So, link between money supply and prices are also discussed. Now, since I have said many things on as a background or the discussion of Mercantilism, we have emphasized there are key features. So, Bullionism is one of the major aspect.

How to procure more Bullionisms? Precious metals, so they are those contents are expressed in their you know currency. Bullionisms especially, gold and silver it possess, Spain is the Richest country because of the gold and silver from its colonies in Latin America. Spain's would be referred in the context of you know Mercantilism.

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## Colonies



- Are important because:
  - provide raw materials
  - are forbidden from purchasing manufactured goods unless they come from the “mother” country
  - can provide workers

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So, Colonies are also discussed feudalistic structure are actually weakened as I told you. So, colonies are important to be discuss because of you know, it provides and I mean the Mercantilism structure actually provides help in facilitating raw materials and are forbidden from purchasing manufactured goods unless they come from the mother country, I mean they are the source country or the domestic country must have been emphasized.

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## The Seas



- NEED to be protected since they are the lifeline to commerce
  - In England: Sir Walter Raleigh
  - In Spain the Pirate Raleigh

So, the pre dualistic structure by any form, are actually you know undermined or weekend. Similarly they are against the seas, they protected their seas once the, I mean this protected because of it will not you know allow others to enter to their country. Specially England; Sir Walter you know Raleigh actually, behind these suggestions in Spain Pirate Raleigh etcetera.

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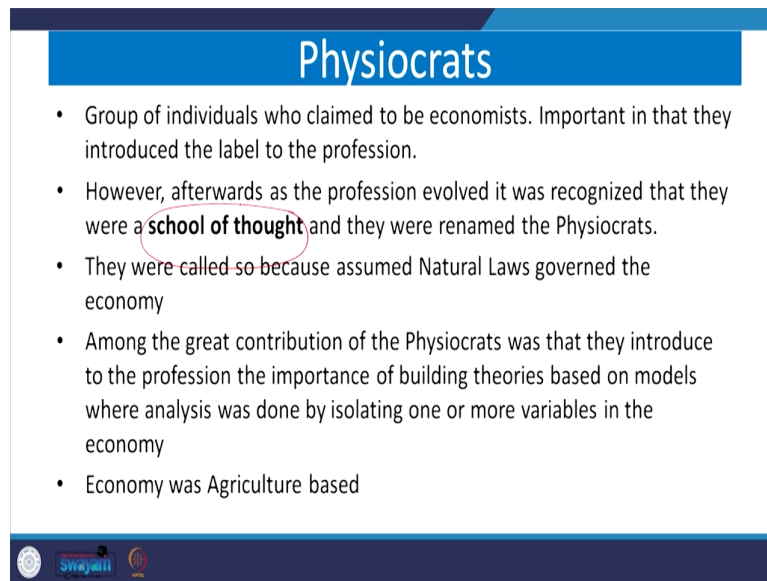
## Population



- Discourage Young people from entering the clergy
- Gave TAX breaks to families with over 10 children


So, far as population is concerned, the discourage young people from entering the. Gave tax breaks to families with over 10 children. So, who are the Physiocrats? Physiocrats are the economies during that time who are famous for their ideas. So, they are also considered a school of thought and they give you know ideas to the government; the government during that period actually forms laws or actually emerge from the Physiocrats.

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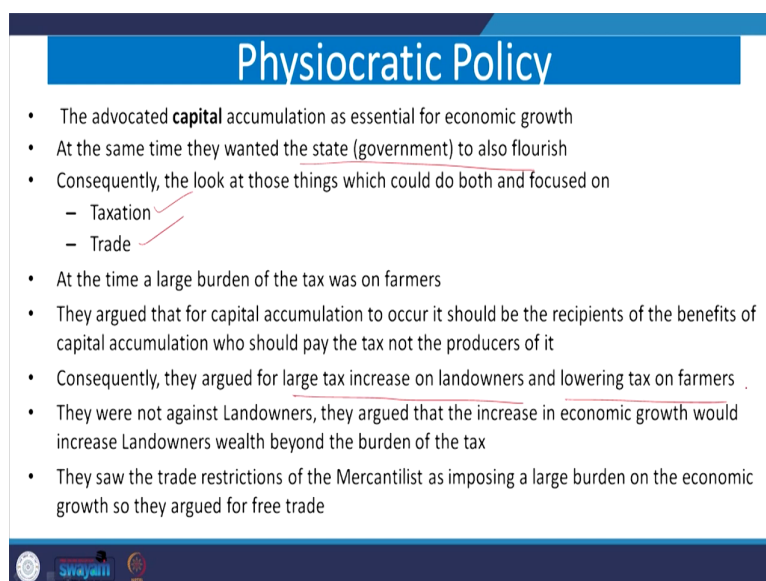
## Physiocrats

- Group of individuals who claimed to be economists. Important in that they introduced the label to the profession.
- However, afterwards as the profession evolved it was recognized that they were a **school of thought** and they were renamed the Physiocrats.
- They were called so because assumed Natural Laws governed the economy
- Among the great contribution of the Physiocrats was that they introduce to the profession the importance of building theories based on models where analysis was done by isolating one or more variables in the economy
- Economy was Agriculture based




Among great contributions of Physiocrats they introduced the profession the importance of building theories based on the models which are and you know analysis were made by isolating one or more variables in the economy. Economy was majorly agricultural based; manufacture did not take off by that time.

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## Physiocratic Policy

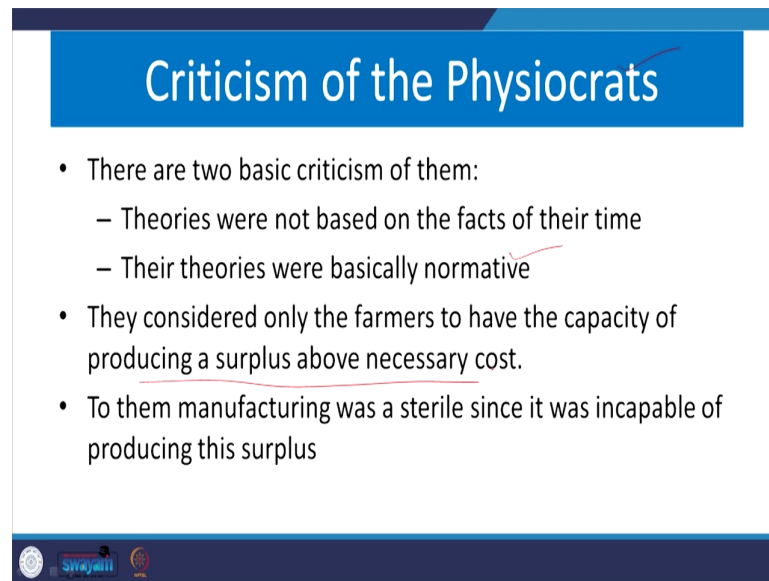
- The advocated **capital** accumulation as essential for economic growth
- At the same time they wanted the state (government) to also flourish
- Consequently, they look at those things which could do both and focused on
  - Taxation ✓
  - Trade ✓
- At the time a large burden of the tax was on farmers
- They argued that for capital accumulation to occur it should be the recipients of the benefits of capital accumulation who should pay the tax not the producers of it
- Consequently, they argued for large tax increase on landowners and lowering tax on farmers .
- They were not against Landowners, they argued that the increase in economic growth would increase Landowners wealth beyond the burden of the tax
- They saw the trade restrictions of the Mercantilist as imposing a large burden on the economic growth so they argued for free trade



So, other are they advocated capital accumulation as an essential part of you know economic growth. Similarly I mean, similarly they wanted the state government also to flourish. So, consequently what we actually observed you in that period, is with the fact that the look, I mean consequently the look at those things which could do both and focus on taxation and trade, but that should be purely you know confining to those nation state.

So, what I have already said, it must be you know facilitating accumulation, capital accumulation, but again specific to their state. They argue for larger tax increase on landowners and lowering tax on farmers. So, other aspects are important, let me you know carry forward in the next slide to explain it in detail.

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## Criticism of the Physiocrats

- There are two basic criticism of them:
  - Theories were not based on the facts of their time
  - Their theories were basically normative
- They considered only the farmers to have the capacity of producing a surplus above necessary cost.
- To them manufacturing was a sterile since it was incapable of producing this surplus



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So, there are two basic criticism of them; specially for the Physiocrats because of the fact that they theories were not based on the facts of their time, they simply suggested that tax must be imposed on the bigger farmers and the cost of others, but actually there is no evidence is clearly emphasizing,their theories are basically normative. So, they considered only the farmers to have the capacity producing a surplus above necessary cost. So, only those farmers are considered.

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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




The slide features a blue header with the title 'Two Ways to Increase a Nations Wealth'. Below the title, there are two bullet points. The first bullet point is 'obtain as much gold and silver as possible', accompanied by an image of a hand holding a large amount of gold coins. The second bullet point is 'establish a favorable balance of trade, in which it sold more goods than in bought', accompanied by an image of a collection of colorful bell peppers (yellow, green, red, orange). At the bottom of the slide, there is a dark blue footer containing a logo on the left and the text 'swayam' in the center.

So, these are repetitive I am not emphasizing too much. So, two ways to increase a **nation's** wealth as suggested. One is through gold and precious metals like gold and silver; another one is actually balance of trade in which I mean sold more goods than the bought. So, Mercantilism explained that colonies existed you know for the benefit of the Mother Country.

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## 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**

swayam


Sources of raw materials must be cheap. I mean these are the things I have already said finished goods or shipped to the colony must be expensive. Profit goes to the especially for the you know Mercantilism base colonies. Then pass laws forbidding colonies from producing their own goods.

So, basically Mercantilism is equated with unfair or unbalanced trade; they only favor you know surpluses against you know deficits. So, in other theories you will find you know the trade theories largely try to explain you know balance of payment or balance of trade.

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## Triangular Trade

- Europeans transported manufactured goods to the west coast of Africa



The map illustrates the Triangular Trade System from 1451 to 1870. It shows the Atlantic Ocean with trade routes connecting Europe, Africa, and the Americas. A red line highlights the route from Europe to the west coast of Africa, labeled 'Manufactured goods gone'. Other routes include the transatlantic slave trade from Africa to the Americas and the flow of raw materials from the Americas to Europe. Key locations marked include London, Paris, and Cape Town in Europe; the West Coast of Africa; and various cities in North and South America. The map also shows the Caribbean Sea, the Pacific Ocean, and the Indian Ocean.

Some other aspects I mean evidences are observed during that time Europeans transported manufactured goods to the west coast of Africa. So, this route highlighted here; these are some of the evidences, these are the movements.



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## Triangular Trade

- Traders then exchanged these goods for captured Africans who were then sold in the Americas
- Merchants then bought sugar, coffee, and tobacco in the West Indies and sailed back to Europe to sell these products.



The diagram illustrates the triangular trade system in the Atlantic Ocean. It shows three main regions: the Americas (left), Africa (right), and Europe (top right). Red arrows indicate the flow of goods and people: 1. From the Americas to Africa: 'Rum (and goods) to Africa'. 2. From Africa to the Americas: 'Slaves to the Americas'. 3. From the Americas to Europe: 'Sugar to New England'. The map also shows the Atlantic Ocean and parts of North and South America, Africa, and Europe.


Then other triangular; triangular flows are also observed traders then exchange these goods for cap for captured Africans who were then sold in the Americans. So, basically they captured Africans and again sold them to the Americans. So, merchants then, but sugar, coffee, tobacco in the West Indies and sell them back to Europe to sell these products.

So, there are basically there are triangular roots attached to it from Africa to U.S to then Latin America, then those receives are actually receives are taken to the European countries. So, what are the long term results? Long term results or the trade routes, so what time we emphasize old silk; silk route as against on a new silk routes; silk routes basically, the you know the routes they followed for trade.

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## 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



The map illustrates the shift in global trade routes. The red line shows the traditional Silk Route, which was land-based and centered on the Mediterranean Sea and the Indian Ocean. The blue line shows the new sea routes, which are more direct and focus on the Atlantic and Pacific oceans. The map also labels various regions and bodies of water, including Europe, the Mediterranean Sea, Persia, Arabia, India, China, Somalia, and Java.

Now, you can see the old silk route and the new silk I mean, the silk routes are also given in various forms, Java I think is important to be referred Indian context should be referred so far as Mercantilism discussions are dealt. So, the Atlantic and Pacific you know sea routes become the new focus for international trade.

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Who Benefited Most From Mercantilism?

- Monarchs.
- Merchant capitalists.
- Joint-stock companies.
- Government officials.

So, who benefited most from Mercantilism? They are the Monarchs, they are also the merchant capitalist, joint-stock companies though we are interpreting it, but during that time those are not their stock companies or nor there, but interpreted joint who have; who have had you know or who had joined collaboration; government officials.

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## Theories of International Trade

- It measures the wealth of nation by the size of its accumulated treasures i. e. gold & silver.
- Focus is international trade, rather than internal commerce
  - Nationalism essential: promote nation by gain from trade
  - Trade imbalance the object: export more than import

The Theories of International Trade is revisited at once again through Mercantilism as pre accumulation of capital or their treasuries. So, nationalism is there at most important straight imbalances are object, I have already said these things. So, limitations are also important to discuss.

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## Theories of International Trade

- Wealth (Gold) can be accumulated by encouraging exports and discouraging imports.
- This theory aims at creating trade surplus.
- Limitations:
  - Accumulation of wealth takes place at the cost of another trading partner; a win-lose game & a zero-sum game for global wealth (international trade).
  - Supported only in short run.
  - Overlooks other resources such as its natural resources, manpower & its skill levels, capital, etc.
  - Used by colonial powers as a means of exploitation and not development.

Accumulation of wealth takes place at the cost of another trading partner; say win-lose game and a zero-sum game for global wealth. So, therefore, over the time, this constraint they are trade because, other try to retaliate.

So, supported those theories for the country, especially for the short run long and there was no vision for the long run. They overlooks over the resources such as, natural resources or manpower skill levels capital etcetera. So, they use colonial powers as the means of exportations and development. So, they never know opened up their economy for larger participation. So, therefore, their works are highly limited.

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Early Writers

- Niccolo' Machiavelli (1469-1527)
- Jean Bodin (1530-1596)
- Antonio Serra (1580-1650)

swayam 28

So, who are the writers actually in the Mercantilist? The Machiavelli of from 1469-1527 period, Bodin from 1530 to you know 1596 and Serra Antonio, Serra 80 1650, their **referred** as the writer; who write the **Mercantilist** propositions.

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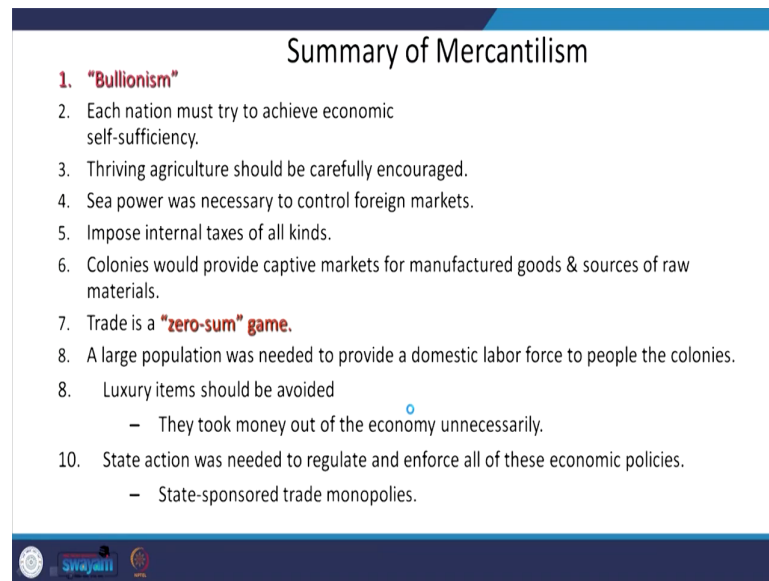
**Mercantilist Thinkers**

- Josiah Child ✓
- Bernard Mandeville ✓
- David Hume ✓
- Von Hornick ✓
- Thomas Mun ✓

29

Who are the **Mercantilist** thinkers? Maybe to some extent refer is the Physiocrats Josiah Child, Mandeville, Hume, Hornick and Thomas Mun. Thomas Mun is very famous as a topmost Physiocrats and thinker for the Mercantilism. So, largely as a Summary for Mercantilism. Bullionism we have already discussed. Each Nation must try to achieve you know economic self-sufficiency, they must actually must not depend on other country.

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### Summary of Mercantilism

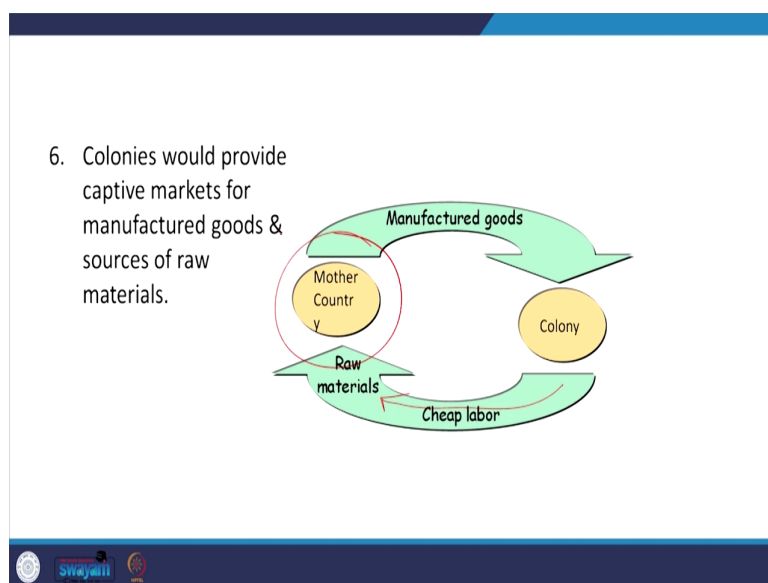
1. **"Bullionism"**
2. Each nation must try to achieve economic self-sufficiency.
3. Thriving agriculture should be carefully encouraged.
4. Sea power was necessary to control foreign markets.
5. Impose internal taxes of all kinds.
6. Colonies would provide captive markets for manufactured goods & sources of raw materials.
7. Trade is a **"zero-sum" game.**
8. A large population was needed to provide a domestic labor force to people the colonies.
8. Luxury items should be avoided
  - They took money out of the economy unnecessarily.
10. State action was needed to regulate and enforce all of these economic policies.
  - State-sponsored trade monopolies.

So, agriculture was the focused you know manufacturing sector was not came off. Significantly, sea power or sea you know roots are restricted to or foreigners. And they impose you know internal no taxes of all kind. Colonies provide captive you know markets for manufactured goods and sources of raw materials. Trade is a zero-sum game we have already defined. A large population was needed to provide domestic you know labor force to people of the colonies.

Luxury items should be avoided, because of the factor that they can trucker more, you know more wealth with the country. So, they took money out of the economy unnecessarily see the luxury items especially. State action was needed to regulate and enforce those economic policies they propagated.



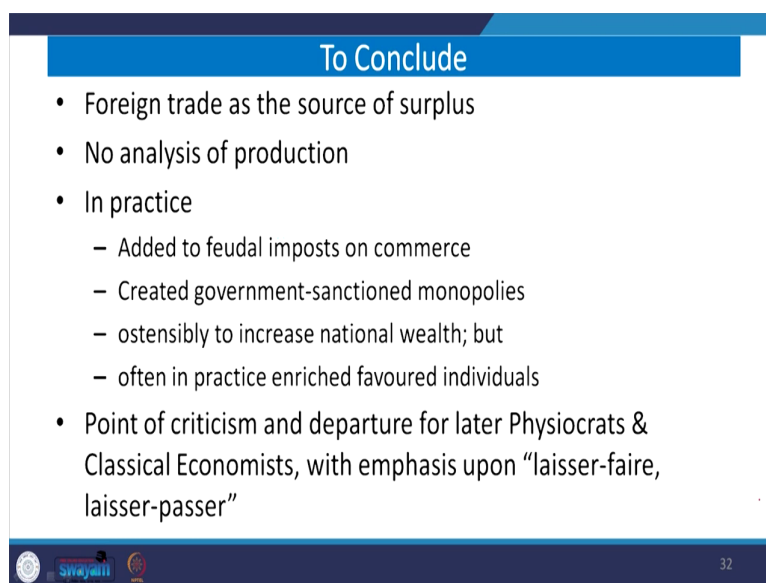
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And those economy policies also you know restricted monopoly practices. Colonies would provide you know captive market for manufactured goods and you know sources of raw materials. Now, manufacturing goods you can say to colonies then cheap labor to through to raw as a, raw materials to the Mother Country.

So, Mother Country kept on a progressing in through various channels. Though manufacturing goods were not discussed at large, but can be interpreted like this. To conclude, the Mercantilism theory in detail. Foreign trade as a source of surplus. So, no analysis of production there are lots of limitations also there is it is completely a short term phenomena, short term discussion there was no vision for sustainability.

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The slide is titled "To Conclude" and contains a bulleted list of points. The first point is "Foreign trade as the source of surplus". The second point is "No analysis of production". The third point is "In practice", which includes three sub-points: "Added to feudal imposts on commerce", "Created government-sanctioned monopolies", and "ostensibly to increase national wealth; but often in practice enriched favoured individuals". The fourth point is "Point of criticism and departure for later Physiocrats & Classical Economists, with emphasis upon 'laissez-faire, laissez-passer'". The slide also features a logo for "swayam" and the number "32" in the bottom right corner.


- Foreign trade as the source of surplus
- No analysis of production
- In practice
  - Added to feudal imposts on commerce
  - Created government-sanctioned monopolies
  - ostensibly to increase national wealth; but often in practice enriched favoured individuals
- Point of criticism and departure for later Physiocrats & Classical Economists, with emphasis upon “laissez-faire, laissez-passer”

Now, their practice, they added feudal you know imposed on commerce. Created government-sanction monopolies, government-sanction **monopolies** because they take the control they controlled in a free market one because, they restricted heavily in different segments.

Points of criticism and departure for later physiocrats and classical economist, with emphasis largely upon laissez-faire, laissez passer, here we are emphasizing on make the economy more free. So, that was actually suggested by later you know or their successors specially Adam Smith failure. So, Adam Smith is actually referred.

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## Adam Smith (1723-1790) → ACA



- Appointed to the chair of logic in 1751 at the University of Glasgow, Scotland.
- In 1752 he transferred to the chair of philosophy.
- On his travels to France, he was influenced by the writings of the physiocrats.
- 1776 → *The Theory of Moral Sentiments and an Inquiry Into the Nature of Causes of the Wealth of Nations* was published.
  - A vehement attack of the mercantilist system.

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So, we are referring to the late 18th century. Adam Smith from University of Glasgow, Scotland where the chair actually in a time. So, transport to chair of philosophy also in another year will carry forward the Adam Smith discussion in classical you know economists discussion for the context of absolute cost advantage; absolute cost advantage theory in detail. These will be you know discussed in very carefully you know systematically.

We are introducing these only because of the fact that what others after Mercantilism. And you know in the next class will emphasize very systematically on the base of classical economists called you know Adam Smith is the father of Economists. I hope it is you know convince understood to you one time.

Thank you so much.

