

# **X. CHANGING PATTERNS OF INTERNATIONAL TRADE, 1520 - 1750**

## **D. Mercantilism, Money, and the State in Foreign Trade, 16<sup>th</sup> to 18<sup>th</sup> Centuries**

**Revised 7-8 March 2012**

20. 7 March 2012

**Davis**, ch. 11, 17;  
then ch. 2, 4, 9;  
especially ch. 14;  
**Cipolla**, ch. 7, 10  
(pp. 237-75)

**ET 7, 10**

22

**INTERNATIONAL COMMERCE:**

**Mercantilism**: in English and European Commerce;  
its historical evolution and basic principles;  
**Bullionism** and **Protectionism**;

The **Navigation Laws** in England and the Decline of  
the Dutch; the American Revolution (1776);

# MERCANTILISM: Definitions 1

- 1) **The State and the National Economy:**
- **Those economic policies, practices, measures, and philosophies concerning the interventionist role of the state in the economy, but especially in foreign trade.**
- 2) **But Mercantilism should never be viewed as a coherent system of economic principles:** such as Classical, Keynesian, Marxist Economics (etc.)
- **- more akin to 'man on the street' economics:** practical rather than theoretical

# MERCANTILISM: Definitions - 2

- 3) Just because Mercantilism was not a consistent, coherent set of economic principles,
- and just because the term has been overused,
- **does not mean we should reject the term**
- as did Rondo Cameron, Donald Coleman, and many others (except me!)

# MERCANTILISM: Definitions - 3

- 4) **Basic Assumptions of early-modern Mercantilists: on wealth & the state**
- a) **that the primary duty of the state is to enhance and maintain both national wealth and national power:** to defend the country
- b) **National Wealth:** consists solely or primarily in its supply of precious metals

# MERCANTILISM: Definitions - 4

- 4) **Basic Assumptions of Mercantilists**
- c) **that wealth (gold and silver) and national power have a symbiotic relationship:**
- **-(1) that national wealth is essential** for gaining, maintaining national power
- **- (2) that national power is similarly essential** for securing, maintaining, protecting and increasing national wealth: in terms of precious metals

# MERCANTILISM: Definitions - 5

- 4) **Basic Assumptions of Mercantilists:**
- d) **that foreign trade is the primary source of national wealth, in gold & silver: and thus of national power**
- - any country lacking gold and silver mines could acquire precious metals only through foreign trade:  $X > M \rightarrow$  bullion influx

# MERCANTILISM: Definitions - 6

- 5) **17<sup>th</sup> century English Mercantilists on Foreign Trade**
- - **Roger Coke: *Discourse of Trade* (1670):**  
‘Foreign Trade is the only means to enrich this Kingdom’.
- - **Josiah Child: *Discourse About Trade* (1690):**  
‘Foreign trade produces riches, riches power, and power preserves our trade and religion’.

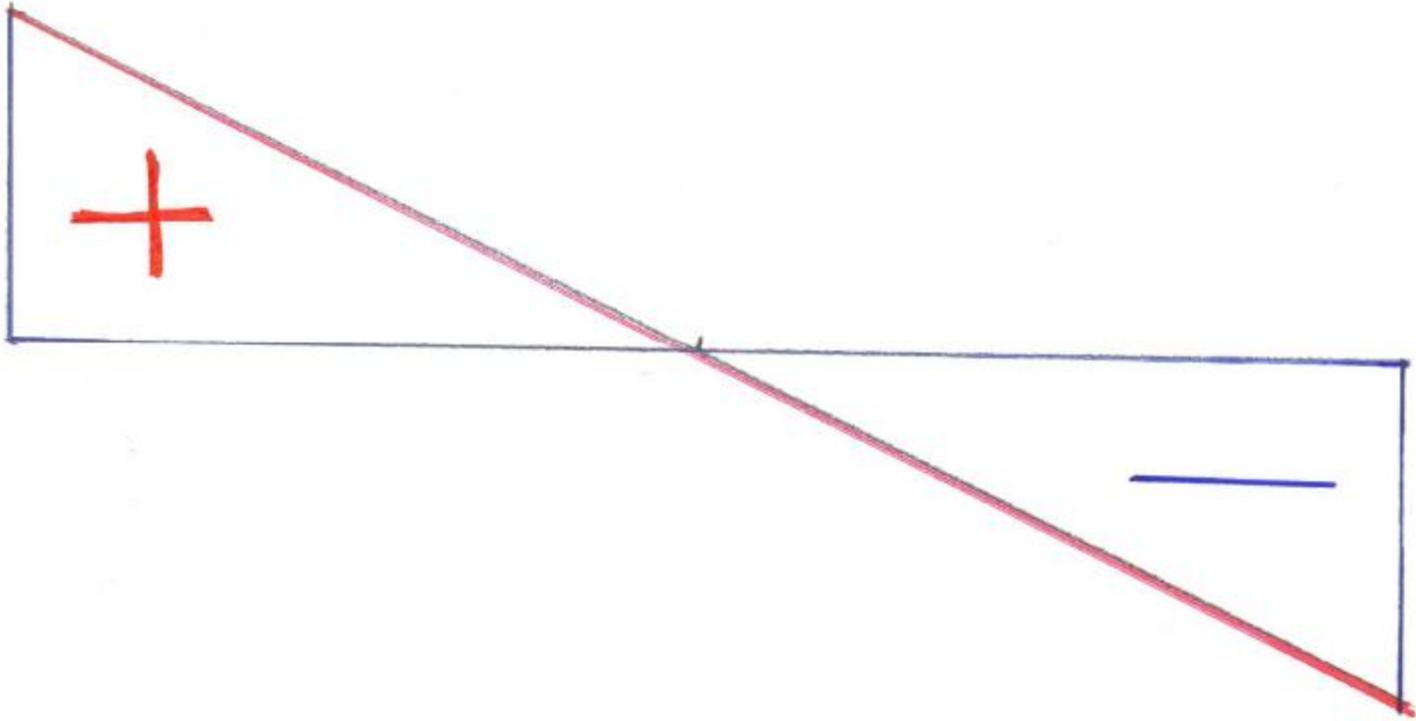
# MERCANTILISM: Definitions - 7

- 6) **Most common elements in early-modern Mercantilism:**
- a) **'bullionism'** : policies to ensure a steady influx of precious metals & to prevent their outflow
- b) **economic nationalism**: in fierce competition with other national states

# MERCANTILISM: Definitions - 8

- c) **The See-Saw Theorem of global wealth:**
- - world supply of precious metals is **FIXED** (in short run) →
- - so that global wealth is a zero sum game: →
- - so that one power can obtain and hold wealth only at the expense of its neighbours:
- - who hold the same zero-sum game beliefs

## THE SEE-SAW THEOREM IN FOREIGN TRADE



### **Colbert's *Mémoire au Roi sur les Finances* (1670).**

The most celebrated expression of early-modern Mercantilist views on money is contained in a letter that the French statesman Jean Colbert delivered to Louis XIV, in 1670. It demonstrates how bullion was connected in most people's conceptions of the duality of wealth and national power, and why bullionist obsessions gave rise to international conflicts:

**It is not possible to increase the stock of one country by 20, 30, or 50 million [*livres tournois*] without at the same time taking the same quantity from neighbouring states. Thus arises this two-fold increase (*élévation*), which has been so clearly discernible for several years past: on the one hand, the power and greatness of your Majesty increases, while on the other hand, that of your enemies and ill-wishers falls.... I suppose that anyone would readily agree with this principle, namely, that it is simply and solely the abundance of money within a state that makes the difference in its grandeur and power.**



# MERCANTILISM: Definitions - 9

- 5) **Most common elements in early-modern Mercantilism:**
- d) **necessary role of military power: to acquire & defend wealth**
- - the axiomatic belief that international competition for sources of bullion, essential resources, colonies, etc., inevitably led to conflicts → warfare:
- e) **acquisition of foreign colonies:** for precious metals, raw materials, markets, source of military manpower

# MERCANTILISM: Definitions - 10

- e) **protectionism**: to protect, promote domestic manufacturing industries:
  - - **on belief that export values are enhanced by 'value added'** from manufacturing processes (as opposed to raw material exports)
  - - **on belief that certain manufacturing industries are vital** to national defence
  - - **to avoid any dependence on foreign countries** for goods

# MERCANTILISM: Definitions - 11

- 6) **Other Duties of the National State:**
- a) **to achieve and ensure national unity**, under centralized rule of the monarch or national state government. **As previously seen:**
- - **continental Europe:** heritage of medieval feudalism in political fragmentation that prevented most countries or lands from enjoying national unification (before French Revolution)
- - **England atypical** in enjoying national unity under the rule of the crown from the 12<sup>th</sup> century (**King Henry II: 1154-1189**)
- - **English mercantilist policies more devoted to foreign trade** in maintaining national power rather than acquiring such power through national unification
- b) **to arbitrate between conflicting national interests** in the economy and in foreign trade:
- **as the national 'power broker':** making ad hoc decisions.

## **David Landes on the significance of West European Mercantilism**

To be sure, mercantilist doctrine was shapeless, inconsistent. It was inconsistent because it reflected policy as much as guided it, and each state did with its economy what circumstances warranted, knowledge (or ignorance) suggested, and means permitted. Mercantilism was, in short, pragmatism guided by principle.

Yet mercantilism was more than mere rationalization. Precisely because it was pragmatic, because it aimed at results, it contained the seeds of the [modern] sciences of human behaviour. Its principles were modelled on those propounded for the natural sciences: the careful examination of data, the use of inductive reasoning, the pursuit of the economical explanation, the effort to find a surrogate for the replicated experiment by the explicit use of international comparisons.

European science and technology derived considerable advantage from the fact that the continent was divided into nation-states, rather than united under the rule of an ecumenical empire. Fragmentation, as we have seen, entailed competition, specifically competition among equals.

# MERCANTILISM: Definitions - 12

- 7) **Origins of the term 'Mercantilism'**
- - in English, first used in Adam Smith's *Wealth of Nations* (1776)
- - but borrowed from French Physiocrats:
- - **Physiocrats used *mercantilisme* as a term of contempt** for those who believed the aforesaid principles about wealth, in precious metals, and the role of foreign trade in acquiring wealth
- - **For the Physiocrats, true wealth lay in land and natural resources** (including fisheries, forests)

# MERCANTILISM: Definitions - 13

- - **Note the goal of Adam Smith:** to expose the fallacies and follies of contemporary 'mercantilism' & replace them with what we now call '**Classical Economics**'
- **just the same: 'Mercantilism'** represents an economic outlook that has been the most pervasive, and long-lived influence on the economic destinies of most European & North American countries

# Mercantilism & Keynes

1) **John Maynard Keynes:** conversely or perversely:

- based his *General Theory* (1936) on attacking the fundamental principles of Classical Economics

2) **Keynes' National Income Equation:**

–  $Y = C + I + G + (X - M)$

– **National Income: Consumption + Investment + Government Expenditures + (Exports – Imports)**

– **note that (X-M)** - is the net difference between all revenues obtained from the exports of goods and services and the expenditures on imported goods and foreign services (shipping, banking, insurance)

# Mercantilism & Keynes - 2

## 3) **The Mercantilist Foreign Trade formula:**

-  $X > M \rightarrow$  bullion influx

- Read Keynes' 'Notes on Mercantilism' (in lecture notes)

## 4) **McCloskey: an opposing view:**

'More exports are not to be identified with more income. Contrary to the hardy mercantilism of politicians and professors, exports are not economic growth'.

# Mercantilism: Historical Origins-1

- (1) **Late-medieval roots:** from the 14<sup>th</sup> century
- a) **bullionism:** as examined in first term lectures
- -(i) **policies to prevent exports of precious metals and to encourage their influx** (as already noted)
- - **England: total ban on exports of precious metals:** from 1364 to 1663,
- - **when Parliament legalized free export of all foreign coins and 'Bullion of Gold and Silver' – but not of English coins** (not till Peel's Act of 1819):
- -(ii) **NO change in philosophy of money: precious metals (gold and silver) still the primary or only real form of wealth**

# Mercantilism: Historical Origins - 2

- a) **bullionism: continued**
- (iii) **Balance of Trade theorem: Thomas Mun** (East India Co. director): *England's Treasure by Foreign Trade* (1662)
- - **that England's trade with Asia required bullion exports**, because England could not sell merchandise of sufficient value in southern and eastern Asia (except Persia)
- - **but the East India Company's European + American sales** brought in more bullion from other countries than was originally exported to Asia
- - (iv) **Mercantilist advance: overall all balance of payments** was the determinant, and not individual balances between countries

# Mercantilism: Historical Origins - 3

- (1) **Late-medieval roots:**– from the 14<sup>th</sup> century;
- b) **protectionism: urban protectionism** – from urban guilds and town governments-
- - **Mercantilists advocated internal free trade** (national unity: another advance)
- - **but with application of protectionist measures** at the external frontiers
- - **growth of centralized monarchies and nation states, from 16<sup>th</sup> century: → suppressed independent town governments, but applied their economic policies on a national basis.**

# Mercantilism: Historical Origins - 4

- 2) **Rise of National States:**
- - **England and France:** from the later 15<sup>th</sup> & 16<sup>th</sup> centuries: influence of 100 Years' War (1337-1453)
- - **Spain:** unification of Castile & Aragon under Ferdinand & Isabella (1469-1492)
- - **other national monarchies:**
- - subduing both feudal nobilities and town governments

# Mercantilism: Historical Origins - 5

- 3) **National States and their Overseas Colonies:** from 16<sup>th</sup> & 17<sup>th</sup> centuries
- **Portugal, Spain, France, England, Dutch Republic** → search for precious metals (Spain & Portugal)
- → **warfare** to seize and hold colonies + trade routes

# Mercantilism: Historical Origins - 6

- 4) **The Role of the Dutch:**
- a) **Dutch hegemony in international trade, shipping, finance**
- **→ promoted anti-Dutch mercantilist legislation** by its rivals (England, France, Spain, Sweden)
- **- Dutch were non-Mercantilist:** with free trade in merchandise & precious metals (while protecting some domestic manufacturing)

# Mercantilism: Historical Origins - 7

- 5) **General Crisis of the 17<sup>th</sup> Century:** influences on policies
- a) **monetary contractions & demographic stagnation**, with periodic commercial crises or slumps → **promoted bullionist + protectionist legislation**
- b) **Mercantilist objectives in 17<sup>th</sup> century:**
  - - **to acquire, augment stock of precious metals**
  - - **to promote industrial manufacturing and employment**
  - - **to acquire colonies:** raw materials, markets, population growth, manpower for military purposes

# **Bullionism: Monetary Core of Mercantilism - 1**

**What explains the Mercantilist lust for precious metals – just because they constituted real ‘wealth’?**

- **1) Thus: Bullion Stocks: concept of a national store of ‘saved wealth’:** fallacy & false analogy with households and firms
- **2) Warfare: ‘treasure is the sinews of war’**
- - in fact all wars were financed by public borrowing, though rulers still needed ready cash

# Bullionism & Mercantilism - 2

- 3) **Money as Capital:** concept appealed to Keynes, who gave Mercantilists more credit than he did to Classical School of Economics:
- a) **lower interest rates from increased supplies of money** (cash balances), with a constant **Liquidity Preference** schedule
- b) **increased aggregate investment, from a 'favourable balance' of payments:** with  $\Delta$  overseas investments [product of surplus on balance of payments]:  $Y = C + I + G + (X - M)$

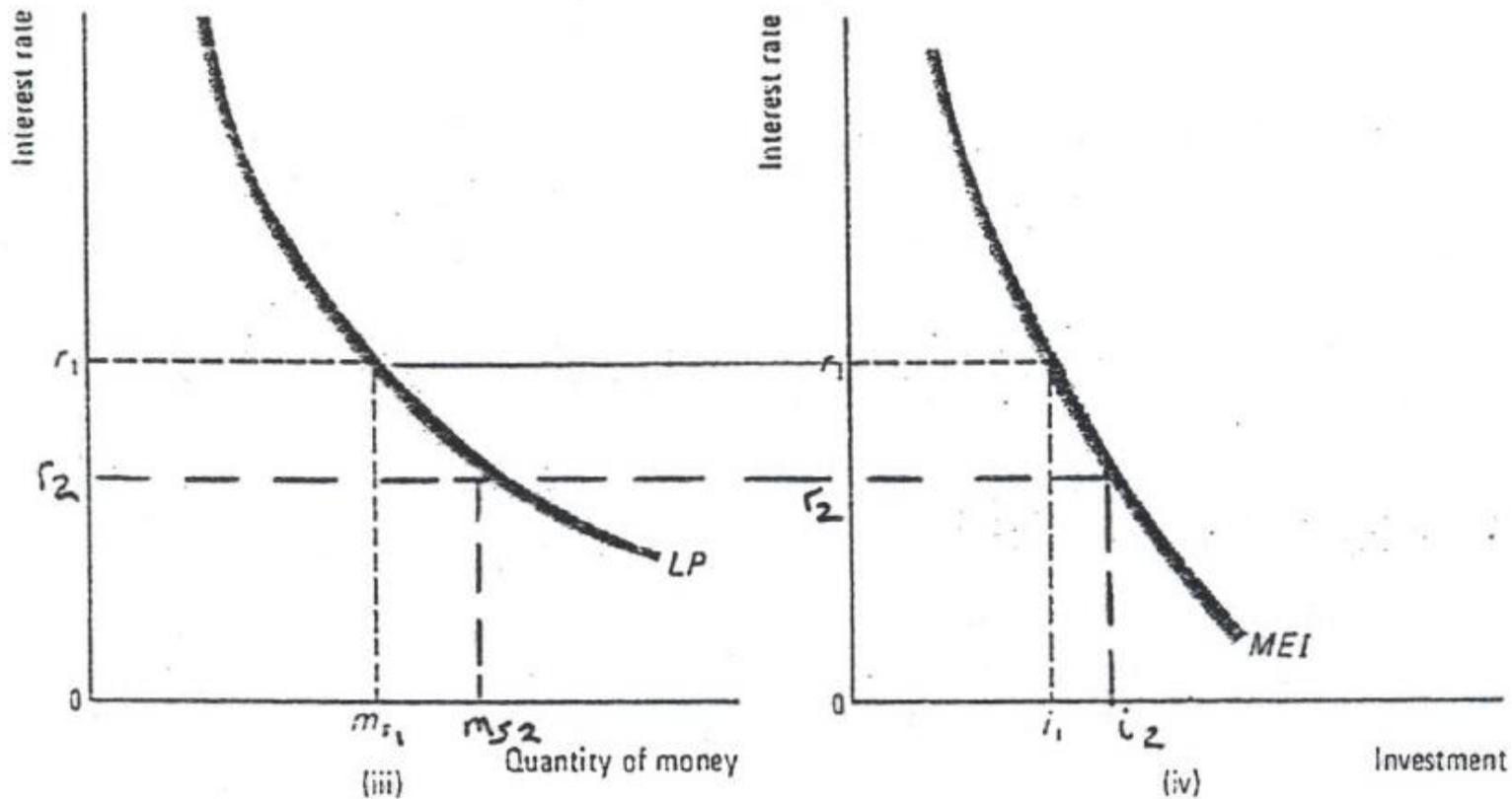


Fig. 43.1 The Keynesian model. (i) The consumption function (ii) The transactions demand for money ( $T$ ) varies with the level of income ( $Y$ ) (iii) The speculative and precautionary demand for money ( $LP$ ) varies with the rate of interest ( $r$ ) (iv) Investment ( $MEI$ ) varies with the rate of interest ( $r$ )

## British Foreign Trade Components, 1801/10 - 1901/10

**Decennial Means of British Exports, Imports, 'Invisible' Earnings, Balances on Current Account, and Accumulated Balances of Overseas Investments, in Millions of Pounds Sterling, in Current Prices**

<b>Decade</b>	<b>Export Index</b>	<b>Exports -</b>	<b>Imports =</b>	<b>Balance +</b>	<b>Serv- +</b>	<b>Divid-</b>	<b>= Balance</b>	<b>Accumulated</b>
	<b>1801-10</b>	<b>in £</b>	<b>in £</b>	<b>on Comm-</b>	<b>ices</b>	<b>ends &amp;</b>	<b>on the</b>	<b>Balance</b>
	<b>= 100</b>			<b>odity</b>	<b>in £</b>	<b>Interest</b>	<b>Current</b>	<b>of Overseas</b>
				<b>Account</b>		<b>in £</b>	<b>Account</b>	<b>Investments*</b>
				<b>in £</b>	<b>in £</b>		<b>in £</b>	<b>in £ sterling</b>
<b>1801-10</b>	100.0	41.05	50.95	-9.90				
<b>1811-20</b>	101.3	41.60	49.80	-8.20				
<b>1821-30</b>	89.2	36.60	47.05	-10.45	12.40	4.40	6.35	104.50
<b>1831-40</b>	110.0	45.15	63.70	-18.55	16.35	6.70	4.50	149.50
<b>1841-50</b>	140.0	57.45	79.35	-21.90	18.70	8.50	5.30	197.00
<b>1851-60</b>	259.6	106.55	137.20	-30.65	33.60	14.10	17.05	314.50
<b>1861-70</b>	404.6	166.10	223.60	-57.50	62.50	26.30	31.30	591.00
<b>1871-80</b>	537.0	220.45	313.85	-93.40	89.90	53.15	49.65	1127.00
<b>1881-90</b>	570.8	234.30	331.95	-97.65	97.80	74.50	74.65	1716.00
<b>1891-00</b>	584.0	239.75	385.20	-145.45	94.55	97.10	46.20	2296.00
<b>1901-10</b>	845.9	347.25	505.55	-158.30	123.55	132.15	97.40	3006.50

**John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (London, 1936), chapter 23, ‘Notes on Mercantilism...’, pp. 333-51.**

For some two hundred years both economic theorists and practical men did not doubt that there is a peculiar advantage to a country in a favourable balance of trade, and grave danger in an unfavourable balance, particularly if it results in an efflux of the precious metals. But for the past one hundred years there has been a remarkable divergence of opinion. ....

Thus, the weight of my criticism is directed against the inadequacy of the *theoretical* foundations of the *laissez-faire* doctrine upon which I was brought up and which for many years I taught: against a notion that the rate of interest and the volume of investment are self-adjusting at the optimum level, so that preoccupation with the balance of trade is a waste of time. For we, the faculty of economics, prove to have been guilty of presumptuous error in treating as a puerile obsession what for centuries has been a prime object of practical statecraft.

# Bullionism & Mercantilism - 3

- 4) **Inflationary stimulus of  $\Delta$  money supply**
- - if some mercantilists did not link inflation to increased money supplies, others did
- - **welcomed beneficial stimulus of inflation**
- - **inflation cheapens capital and other factor costs**
- - **most Mercantilists feared deflation** more than inflation: negative impact on factor costs, especially with downward wage-stickiness
- - **'General Crisis' era (17<sup>th</sup> century) generally one of deflation**, with monetary contractions (as already seen)

# Bullionism & Mercantilism - 4

- 5) **Bullion Supplies needed for trade with the Levant, South & East Asia and the Baltic:**
- a) **the Baltic trades:** necessary to acquire naval stores, copper & iron, grain
- b) **the Levant Trades:** to sell textiles, acquire eastern silks, cotton, & some spices,
- c) **East Indies trades:** Thomas Mun, *England's Treasure by Forraign Trade* (1664): importance of the East India Co trade for English economy
- - **already noted Mun's impact** on having Parliament remove bullion export-bans (1663)

## WESTERN TRADE WITH THE LEVANT, 1686-87, BY NATIONS

in Merchandise and Bullion

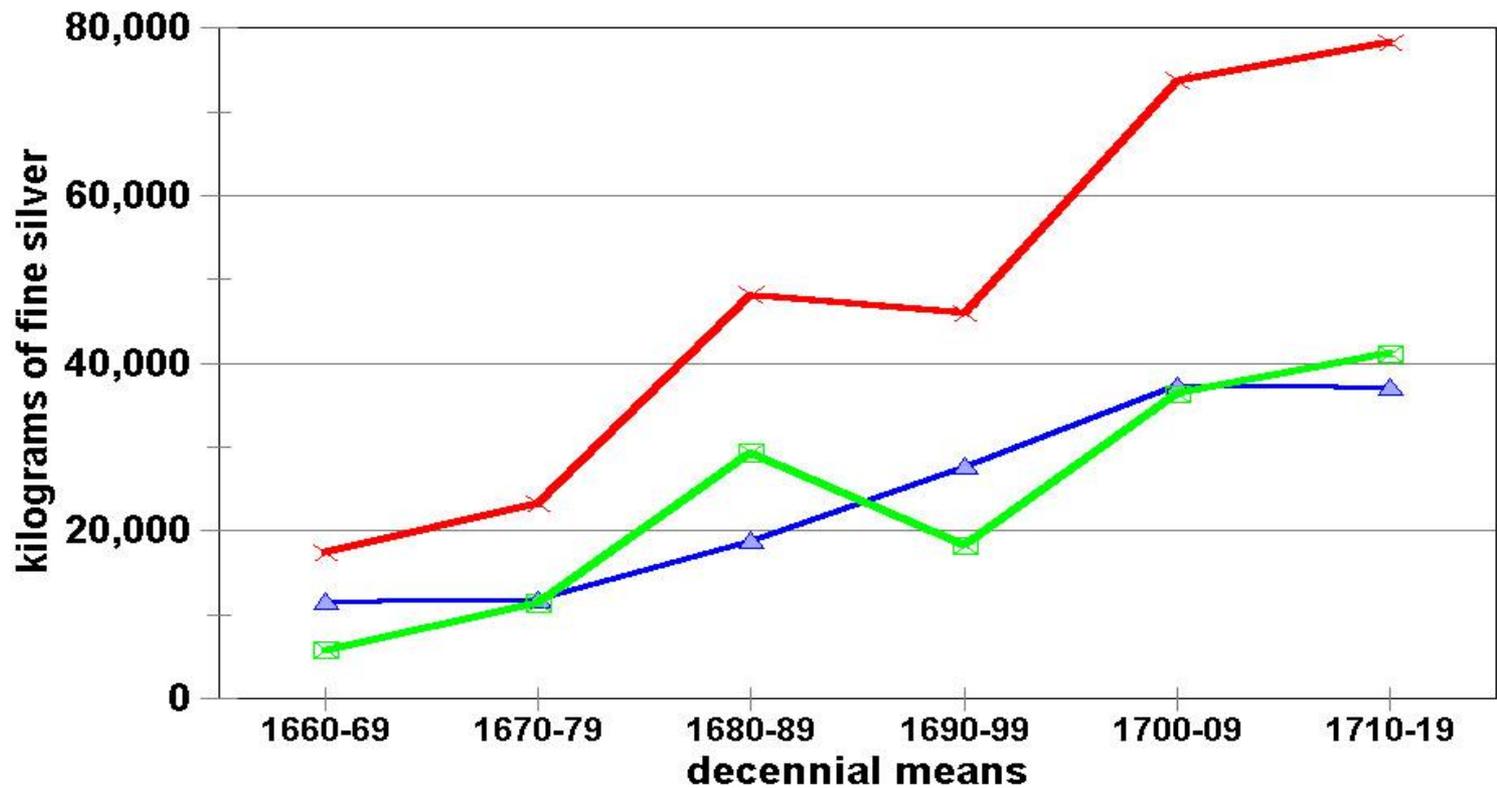
Exports of Merchandise and Bullion to the Ottoman Levant :

Constantinople, Smyrna, Sidon, Candia (Crete), Athens, Satala (Sadak)

Values in Piastres

Nation	Merchandise	Bullion	Total Value	percent merchandise	percent bullion	percent share of	percent share of	percent share of
						total merchandise	bullion	total trade
France	660,636	605,900	1,266,536	52.16%	47.84%	17.14%	32.21%	22.08%
England	1,415,138	337,075	1,752,213	80.76%	19.24%	36.72%	17.92%	30.55%
Holland	926,780	547,000	1,473,780	62.88%	37.12%	24.05%	29.08%	25.70%
Venice	569,200	152,000	721,200	78.92%	21.08%	14.77%	8.08%	12.58%
Livorno	167,100	204,000	371,100	45.03%	54.97%	4.34%	10.85%	6.47%
Genoa	115,250	0	115,250	100.00%	0.00%	2.99%	0.00%	2.01%
Ragusa	0	8,000	8,000	0.00%	100.00%	0.00%	0.43%	0.14%
Messina (Sicily)	0	20,000	20,000	0.00%	100.00%	0.00%	1.06%	0.35%
Malta	0	7,000	7,000	0.00%	100.00%	0.00%	0.37%	0.12%
<b>Total</b>	<b>3,854,104</b>	<b>1,880,975</b>	<b>5,735,079</b>	<b>67.20%</b>	<b>32.80%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Dutch & English Silver Exports to Asia 1660-9 to 1710-9 in kilograms



—▲— Dutch East India Co.    —■— English East India Co.    —×— Total Silver Exports

## The English East India Company's Export Trade to India in Treasure (Gold and Silver) and in Merchandise

in pounds sterling: in decennial means, 1660-69 to 1710-19

<b>Decades</b>	<b>Total Treasure in £ sterling</b>	<b>Merchandise in £ sterling</b>	<b>Total Value in £ sterling</b>	<b>Treasure percent</b>	<b>Merchandise Percent</b>
<b>1660-69</b>	74,022.400	41,085.200	115,107.600	64.31%	35.69%
<b>1670-79</b>	234,091.400	89,990.800	324,082.200	72.23%	27.77%
<b>1680-89</b>	383,707.700	56,170.200	439,877.900	87.23%	12.77%
<b>1690-99</b>	166,561.400	72,065.200	238,626.600	69.80%	30.20%
<b>1700-09</b>	337,008.900	60,876.500	397,885.400	84.70%	15.30%
<b>1710-19</b>	371,418.100	97,771.300	469,189.400	79.16%	20.84%
<b>TOTAL</b>	1,566,809.900	417,959.200	1,984,769.100	78.94%	21.06%

# Bullionism & Mercantilism - 5

- 6) **The Classical School's Attack on Mercantilists:**
- a) **that increasing the import of precious metals was futile, self-defeating:**
- that, say, a 10% increase in bullion imports → 10% increase in CPI → raising export prices → diminishing exports, while increasing imports → thus leading to an outflow of precious metals (i.e., loss of all the metals from influx)

# Bullionism & Mercantilism - 6

- b) **Classical School's fallacies:**
- - **based on a crude and false Quantity Theory of Money:** prices do not in fact change in that automatic fashion, nor do shifts in exports and imports (and interest rates)
- - **overlooked extent to which foreign trade had long been conducted with bills of exchange, instead of bullion:** so that trade imbalances were corrected by fluctuations in the exchange rates
- - **Keynes was more correct than were Classical economists**

# Protectionism in Mercantilism - 1

- 1) **Forms of Protectionism:**
- - import quotas, or import bans
- - export subsidies
- - tariffs and excise duties on imported goods:
- - **note:** many such taxes were adopted for fiscal reasons (warfare), but became & were retained for protectionist reasons: especially after 1689 (wars with France, to 1715)
- - **Navigation Laws:** separate topic: laws to reserve commerce for domestic shipping

# Protectionism in Mercantilism - 2

- 2) **Goals of Protectionism in early-modern Mercantilism**
- a) **Ensure a 'favourable balance of trade'**: curb imports while promoting exports → forcing foreigners to make up the difference with bullion payments: surplus of export revenues over imports
- **$X > M$  → bullion influx**
- b) **Promote industrial and economic growth**: protective tariffs for 'infant industries' was one argument accepted by Classical School

# Protectionism in Mercantilism - 3

- c) **belief in national gains from 'value added'** with industrial manufacturing (as noted): see the Cockayne Project
- d) **Promote  $\Delta$  employment** and population growth
- e) **Promote national power**: national defence industries, particularly shipbuilding, armaments, metallurgical industries
- f) **Promote Import Substitution industries**: to avoid spending 'treasure' on imported manufactures

# Protectionism in Mercantilism - 4

- 3) **Importance of Overseas Colonies:**
- a) **potential source of precious metals:**
- but that worked only for Spain & Portugal in early-modern era
- b) **exclusive source of vital raw materials** for manufacturing in the 'mother country'
- c) **guaranteed markets** for the mother country
- d) **promote population growth** with new settlements: supply both manpower and military forces for the mother country

# Protectionism in Mercantilism - 5

- 4) **The English Navigation Laws**
- a) **parliamentary legislation on both shipping and foreign trade:**
- i) **to exploit overseas colonies for sole benefit of England (and England's colonies)**
- ii) **to promote growth of English shipbuilding** and shipping services: to reserve as much maritime commerce as possible to English (+ colonial) shipping
- iii) **to cut the Dutch out of English trade & shipping**
- iv) **to promote a 'favourable balance of trade'**

# Protectionism in Mercantilism - 6

- b) **England's major Parliamentary legislation:**
  - i) **1651:** Navigation Act (Cromwell)
  - ii) **1660:** Navigation Act (Charles II)
  - iii) **1663:** Staple Act (Charles II)
  - iv) **1673:** Navigation Act (Charles II)

# Protectionism in Mercantilism - 7

- 4) **The English Navigation Laws**, continued
- c) **Chief provisions of the Navigation Acts**
- i) **all trade between England and its colonies:** had to be conducted by English or colonial ships
- ii) **Enumerated Articles list:** specific colonial goods that had to be sent directly to England, for domestic consumption or re-export:
  - -to give English industries exclusive supply of industrial raw materials
  - -to give English ships control over re-exports
  - - **angered American colonists**, who wanted right to trade directly with foreign markets

# Protectionism in Mercantilism - 8

- iii) **English foreign trade: all imports and exports to be conducted solely on English or colonial ships**, with one necessary exception
- - foreign ships allowed to import goods from their own countries: but had to pay higher import duties, and were forbidden to export any goods.
- - designed to cut the Dutch out of the carrying (shipping) trades

# Protectionism in Mercantilism - 9

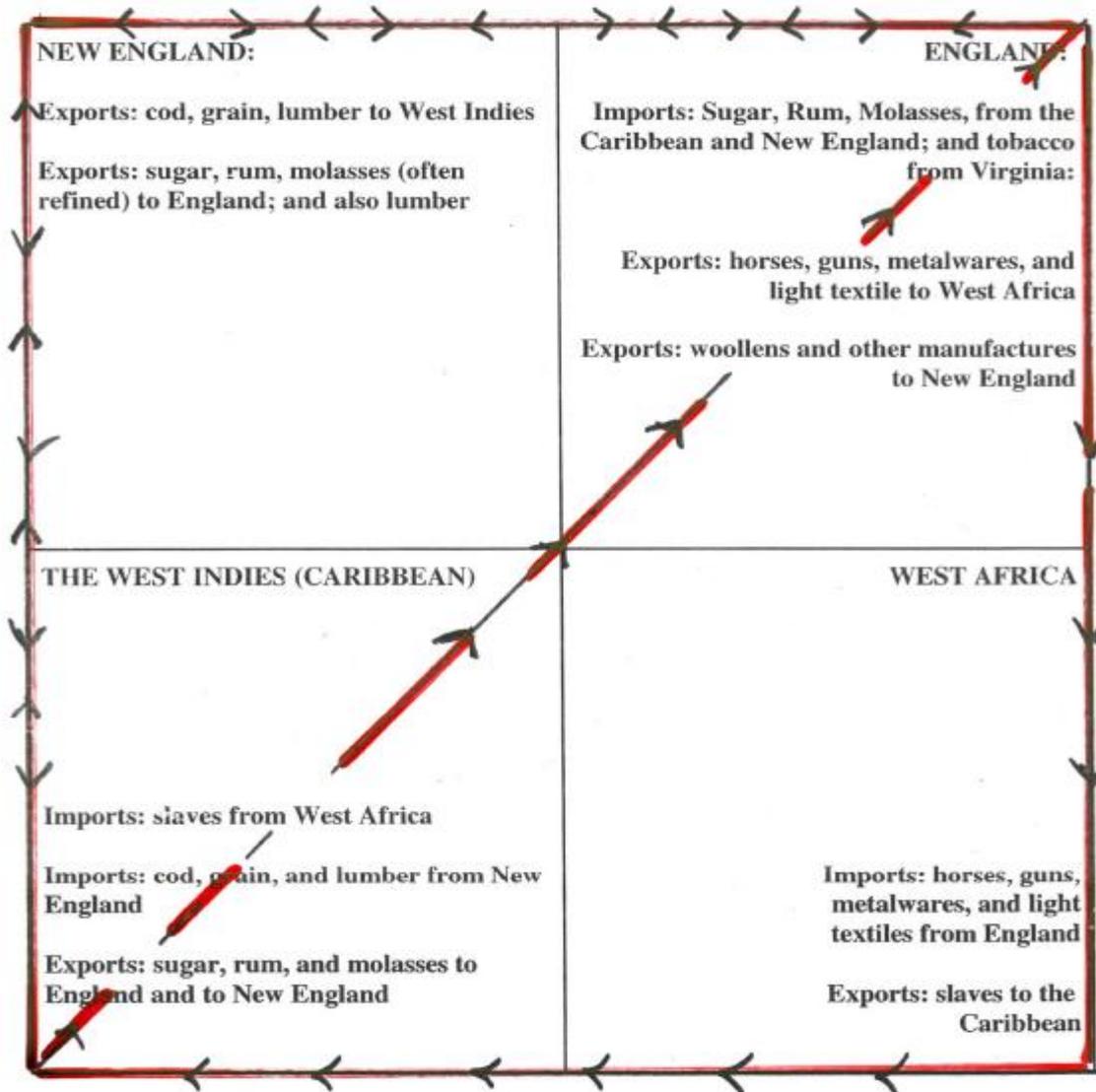
- 4) **The English Navigation Laws**, continued
- d) **Subsequent series of acts to reserve North American markets exclusively to English manufacturers** – forbidding North Americans from producing such goods themselves
- e) **Consequences of the Navigation Acts:**
- i) **success in promoting English shipbuilding and shipping disputed:** some historians say they benefited only non-Dutch foreign ships

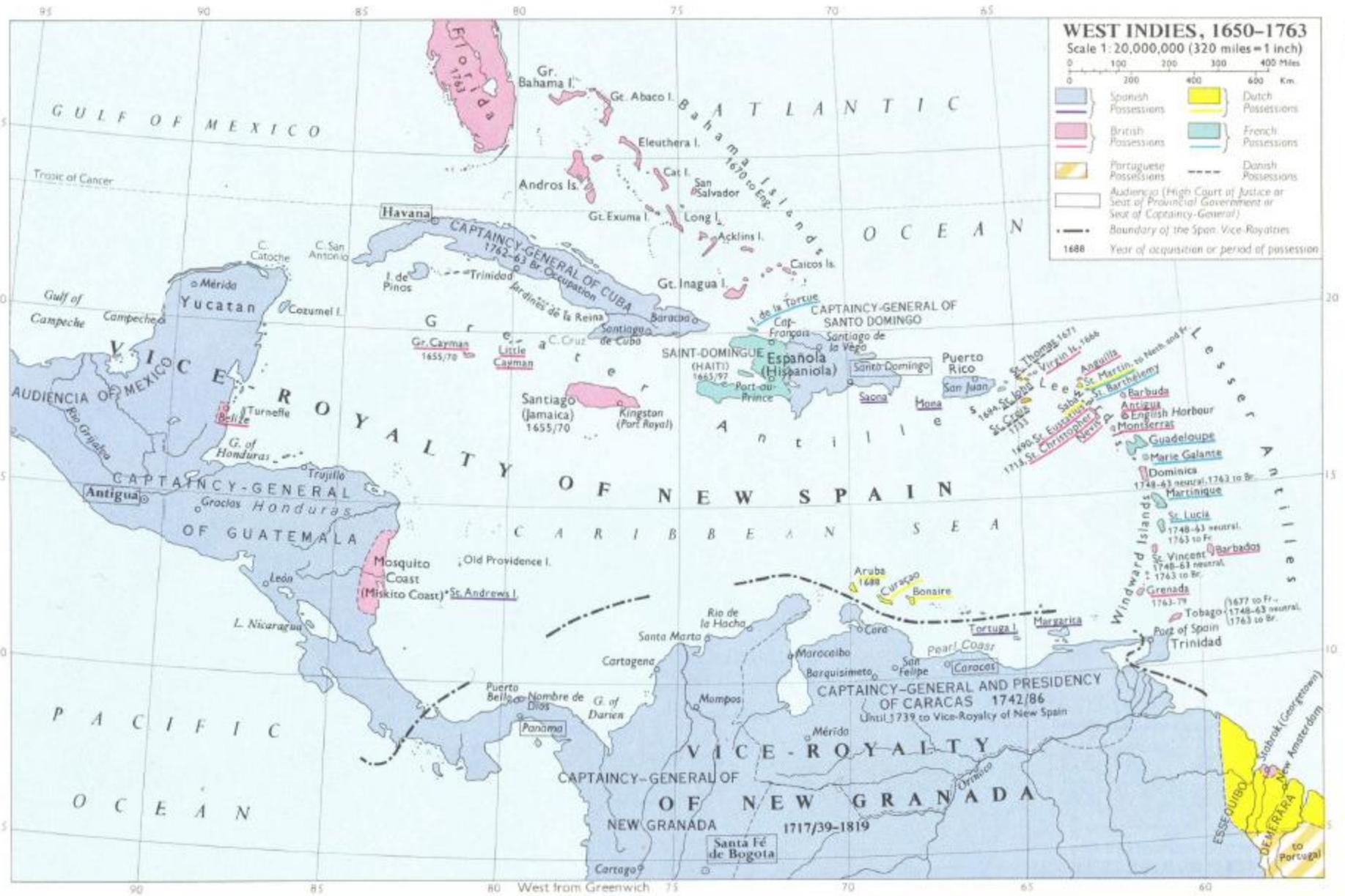
# Protectionism in Mercantilism - 10

- **ii) my personal view (despite supporting Free Trade):** that these laws did work to promote English shipbuilding and shipping – but also North American shipbuilding & shipping
- **iii) these laws, and French navigation laws, etc. , did have a negative impact on Dutch shipping by 18<sup>th</sup> century**
  
- **iv) Impact on the American colonies: plus and minus**
- (1) as noted, benefited New England shipbuilding, shipping – when Dutch lost supremacy in shipbuilding they lost it to New England
- (2) But Navigation Laws still angered the colonists: restricting their trade → American Revolution (1776)

THE TRIANGULAR TRADES OF THE 17<sup>TH</sup> AND 18<sup>TH</sup> CENTURIES:

England, Africa, the Caribbean, and New England





West from Greenwich 90 85 80 75 70 65 60

# Protectionism in Mercantilism - 11

- 4) **The English Navigation Laws**, continued
- f) **The American Revolution (1776-83)**
  - i) **American colonists angered by restrictions** on their trade and industry: wanted to trade directly with French & Spanish colonies
  - ii) **British enforcement acts: for sugar trade, tea**
    - (1) **Molasses Act of 1733**: heavy duties on imports of foreign sugar
    - (2) **Sugar Act of 1764**: banned direct trade with the French
    - (3) **Tea Act of 1773**: gave British East India monopoly on tea sales in North American markets → Boston Tea Party of 1773

# Protectionism in Mercantilism - 12

- iii) **Taxation: requiring colonists to help pay for their own defence:** i.e., pay for British troops stationed there → Δ American resistance → revolt
- iv) **American Revolution: ended the era of the Navigation Laws** (which remained on the statute books until 1849)
- v) **But North America still remained within British commercial orbit:** took a third of British exports in 1798 : see the table

**Direction and Distribution of English Exports, 1700 - 98**  
**Percentages of Total Export Values in:**

<b>Region</b>	<b>1700</b>	<b>1750</b>	<b>1772</b>	<b>1798</b>
<b>North America</b>	6%	11%	25%	32%
<b>Caribbean/South America</b>	5%	5%	12%	25%
<b>Africa-Asia</b>	4%	7%	14%	13%
<b>Total of Above</b>	<b>15%</b>	<b>23%</b>	<b>51%</b>	<b>70%</b>
<b>Europe</b>	<b>85%</b>	<b>77%</b>	<b>49%</b>	<b>30%</b>
<b>Total Value</b>	<b>£4.461</b>	<b>£9.125</b>	<b>£10.196</b>	<b>£18.298</b>
<b>in millions of £ st.</b>				

# Mercantilism and Industrialization

- 1) **Emphasized the key importance of industrial manufactures,**
- but in full accordance with their belief that foreign trade was the true source of wealth (bullion) & power
- 2) **“Valued-added”:**
- **A country gains more from exporting fully finished manufactures** than from exporting raw materials: e.g., England’s shift from being wool exporter to a cloth exporter
- 3) **Specific measures to promote the industrial manufacturing sector:**
  - - **tariff-free imports of all raw materials**
  - - **subsidies or bounties for some industrial exports**
  - - **tariff or import-quota protection against imports of foreign manufactures**

# Mercantilism and Industrialization

## - 2

- 4) **Create tariff-protected import-substitution industries**
- a) **“Infant industries” argument** (already seen): tariff protection to allow industries to grow → achieve sufficient economies of scale to compete
- b) **such industries enabled the country to avoid spending ‘treasure’ on imports**, even if they failed to become competitive abroad