Exercise walk-through

Economic Development and Mercantilism ▪ 3.4

eXercise

You must be able to

- state the doctrine's central claims
- name the policy instruments it produced
- explain the relationship between colonies and the parent state
- state one criticism of the doctrine

Method — The claims

Wealth is measured by bullion held; trade is zero-sum, so one state's surplus is another's deficit; and the state should act to secure a favourable balance.

Method — The instruments

Tariffs and prohibitions on imports, monopoly charters, navigation laws requiring goods to travel in the state's own ships, and subsidies to domestic manufactures.

Method — Colonies

Colonies supply raw materials and buy manufactures, and are prevented from trading with rivals. The arrangement is designed to keep the balance favourable to the parent state.

Method — The criticism

Trade is not zero-sum: exchange can raise output for both parties. Treating bullion as wealth also mistakes a means of exchange for the goods it buys.

Practice 2.1 ▪ 2 marks

State two central claims of mercantilist doctrine.

Solution 2.1

Worked steps

any two of: wealth is bullion held; trade is zero-sum; the state should secure a favourable balance **B2**.

Practice 2.2 ▪ 2 marks

Name two policy instruments it produced.

Solution 2.2

Worked steps

any two of: tariffs and import prohibitions; monopoly charters; navigation laws; subsidies to domestic manufactures **B2**.

Practice 2.3 ▪ 1 mark

A navigation law requires colonial goods to travel in the parent state's ships.

(a) State the aim.

(b) State one effect on the colony.

Solution 2.3

Method: The instruments

Worked steps

(a) to keep the earnings from carriage and the trade itself within the parent state **B1**. (b) higher costs and no access to cheaper rival carriers or markets **B1**.

Exam-style 3.1 ▪ 1 mark

Mercantilism treats trade as

- **A** mutually beneficial
- **B** zero-sum
- **C** irrelevant
- **D** a private matter

Solution 3.1

A mutually beficial

B zero-sum ✓

C irrelevant

D a private matter

Worked steps

B. one state's gain is treated as another's loss.

Exam-style 3.2 ▪ 1 mark

The standard criticism is that exchange

A cannot occur

B can raise output for both parties

C always destroys bullion

D requires colonies

Solution 3.2

Method: The criticism

A cannot occur

B can raise output for both parties ✓

C always destroys bullion

D requires colonies

Worked steps

B. exchange is not merely redistribution.

Exam-style 3.3 ▪ 1 mark

A state accumulates bullion while its domestic output stagnates.
(a) State what mercantilist doctrine would conclude.
(b) Explain the flaw.

Solution 3.3

Method: The criticism

Worked steps

(a) that the state has grown wealthier **B1**. (b) bullion is a means of exchange, not the goods it buys **B1**, so a state with more coin and less output is poorer in what actually matters **B1**.