



Painting of Dutch painter Johannes
Vermeer (1632-1675)
Girl with a pearl earring (1665)
17th-century
and
Girl with a pearl earring

The movie

Girl with a pearl earring (1665)

- The movie:
https://www.youtube.com/watch?v=KnSdQ42G-Ms&ab_channel=TheDiegoito
- Info on the painting :
https://www.youtube.com/watch?v=DHb5nMUC2Es&ab_channel=TheArtAssignment
- Some clues about how to read the paintings:
https://www.youtube.com/watch?v=pM_lzEAv5d4&ab_channel=TED-Ed



16th century looks like to...





17TH CENTURY *(English)*



Mercantilism

- ◆ Between the 16th to late-18th centuries
- ◆ Mercantilism refers to an intervening period between feudalism and liberalism
- ◆ The emergence of stronger, more centralized nation-states

What is a mercantilist policy?

Ex: Navigation acts :

https://www.youtube.com/watch?v=p6v9Q1BWEyk&ab_channel=NBCNewsLearn

Mercantilism

Who are mercantilist authors?

Where are they from?

England

Holland

Spain

France

Germany

Flanders

Scandinavia

Mercantilism

- ✓ The absence of common analytical tools
- ✓ The communication among mercantilists was poor or nonexistent, in contrast to the strong network of interrelations among modern economists.

In French: système mercantile



Comte De Mirabeau
Honoré-Gabriel Riqueti de Mirabeau

Great economists on mercantilism

SMITH (not now)

MARX:

- **Economic policy:** the accumulation of precious metals and second, **Economic theory:** to discover economic laws in the sphere of circulation of goods (in the domestic and mostly international trade).
- 'buying cheap and selling dear'
- 'profit upon alienation'

KEYNES

- Support for his views of government intervention and the encouragement of demand in an effort to correct the weaknesses of the market system.
- mercantilism deserves rehabilitation and honor
- the stock of money, the rate of interest, inflation, unemployment, credit
- protectionism and nationalism

Merchantilism

- ✧ German authors ➔ *Cameralism*.
- ✧ In French mercantilism ➔ The question of how to support and govern industries
- ✧ Spanish mercantilists ➔ How to acquire precious metals and how to obtain a trade surplus
- ✧ British and Dutch mercantilists ➔ The balance of trade was also a central issue

Mercantilism

- **Doctrinal approach :**

One way is to consider mercantilism as a fairly cohesive, “static” set of ideas – that is, a body of thought summarized in the events of the day.

- **Policy approach:**

An other way of seeing mercantilism is to see it as an **historical process**. It concentrates on the dynamics of competing interests and their role in defining economic and political institutions. We call that as policy approach.

Competing groups of power

- Monarch
- Parliament
- Courts
- Producers

The Rise of Monarchial Nation States: 1500 - 1700



The role of government

1) **To strengthen the power of the state** relative to the power of other states. This is often regarded as **the most important goal of mercantilism.**

2) Another goal which has been emphasized by recent students of mercantilism is wealth, especially **the wealth of the sovereign and the commercial élite.**

The most important economic subject :

TRADE !

- ✧ Trade creates wealth (the material gain of the state)
- ✧ The material resources of society (the means) were, in general, to be used to promote the enrichment and well-being of the nation-state (the end)
- But what kind of trade ?

“A” kind of trade to...

- Straighten the power of state
- Increase the wealth of the sovereign and the commercial élite
- Increase export...
- Fear of goods...

French mercantilists:

“Décharger le royaume de ses marchandises”
(Unburden the kingdom of its goods)

The Objective

- There is a single most important concern of mercantile writers : nation's resources be used in such manner as to make the state as powerful as possible both politically and economically

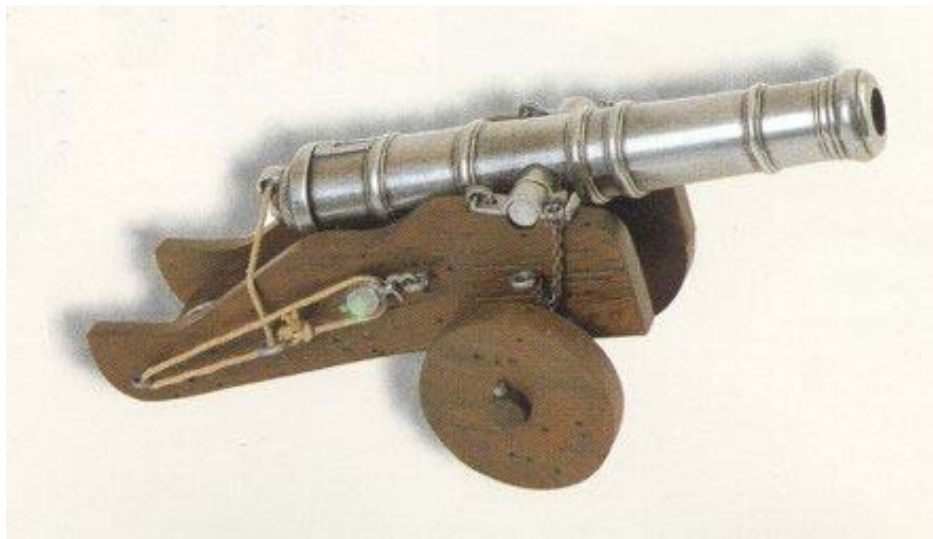
Last Remarques

- The international trade and finance
- Gold ! How acquire it?
- Export, only export ! Is it possible?
- What about “Money”?



SPANISH SILVER FLEET, IN THE 17TH CENTURY

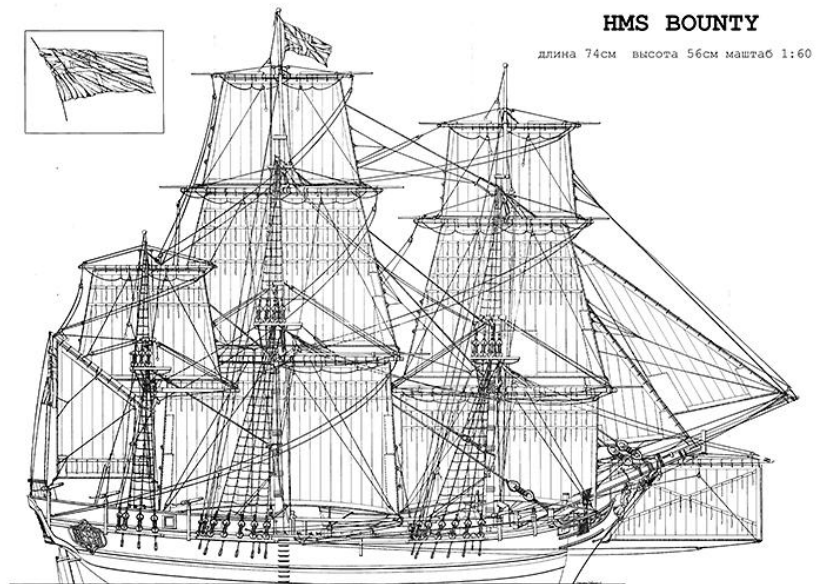




17th century cannon



18th century cannon





Gillis van Tilborgh

Family portrait
(second half of 17th
century)

Gillis van Tilborgh
(1625-1678)

WHAT ONE CAN WE SEE (description): The stage of the figures of this family portrait is the family home as they wish the world to see it. The head of the family sits in the middle at a set table. His black Sunday clothes with the obligatory hat serve the purpose of the portrait rather than those of the meal. On the other side of the table his wife takes her place, in a yellow dress with a napkin in her lap. They are the ones who introduce the family and the home to us and consequently they are the only ones facing us from the picture.

WHAT THE ECONOMIST CAN SEE :

Can see the material conditions: The painter took care to demonstrate the well-being of the family with extras, props and scenery. The walls are covered with figured wallpaper, servants are eagerly waiting for the master and the mistress' commands and there is animated activity in the kitchen. It is the task of the dogs playing in the foreground to introduce a modicum of dissonance into this tableau of complete harmony.

Can interpret the material conditions: References to the economic and social conditions of time + the dynamics revealed by economists (our classes).

The Columbian Exchange

NORTH AMERICA

EUROPE

AFRICA

AMERICAS TO EUROPE, AFRICA, AND ASIA

EUROPE, AFRICA, AND ASIA TO AMERICAS

Peanuts Potatoes Tomatoes Corn

Turkeys

Squash Pumpkins

Sweet Potatoes

Peppers

Tobacco

Pineapples

Grapes

Citrus Fruits

Bananas

Sugar Cane

Honeybees

Cacao

Beans

Vanilla

Grains

• Wheat

• Rice

• Barley

• Oats

Livestock

• Cattle

• Sheep

• Pigs

• Horses

Disease

• Smallpox

• Influenza

• Typhus

• Measles

• Malaria

• Diphtheria

• Whooping Cough

Onions

Olives

Turnips

Coffee Beans

Peaches, Pears



tem or 'Every one for himself at the expense of his neighbor!!(!!!!!!

Philadelphia Published by E.W. Clay 1831.

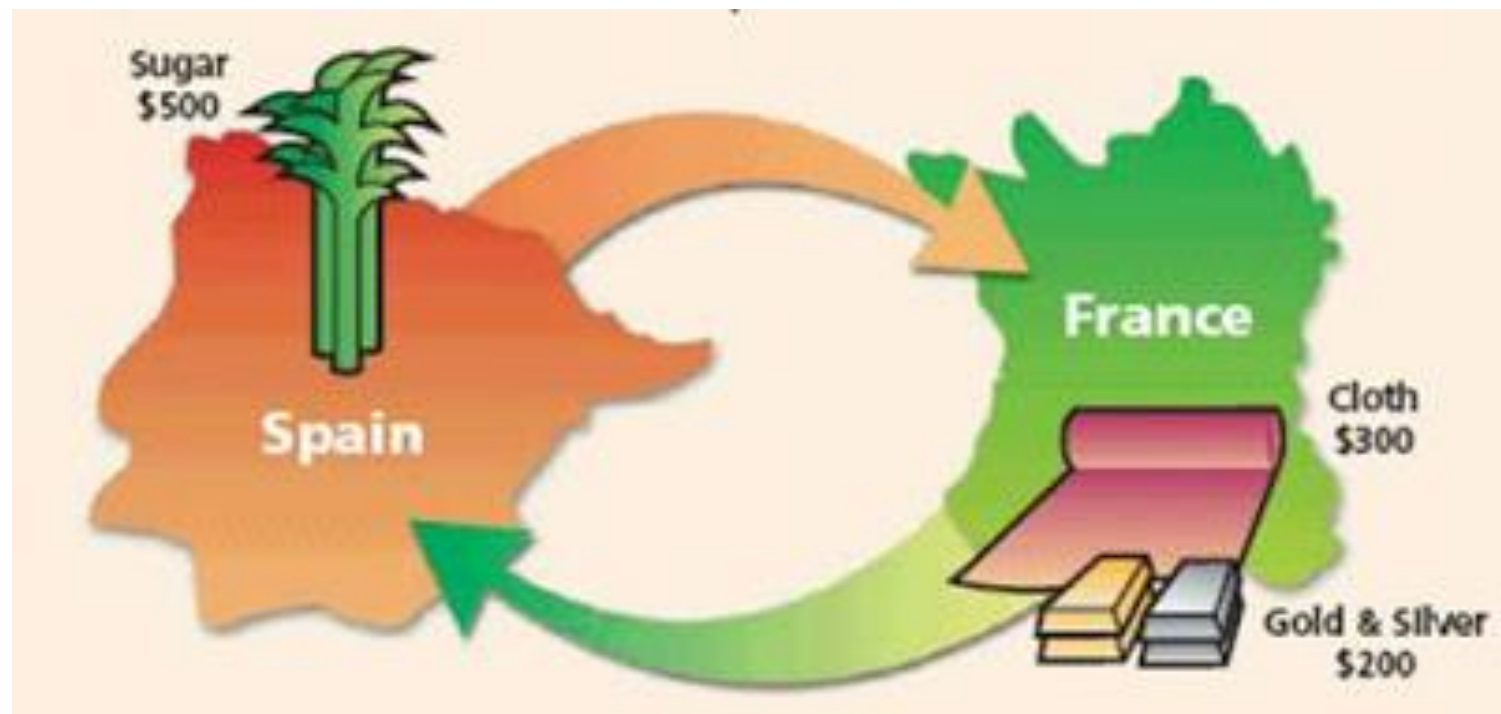
For Himself Henry Clay says "Walk in and see the new improved grand ori
ome, Consumption, Internal, Improv". This 1831 cartoon ridiculing Clay's Ar
ifferent parts of a nation's economy, stealing each other's resources (food) wi
nbug.

rd. (1921) *History of the United States* New York (print). The Macmillan C

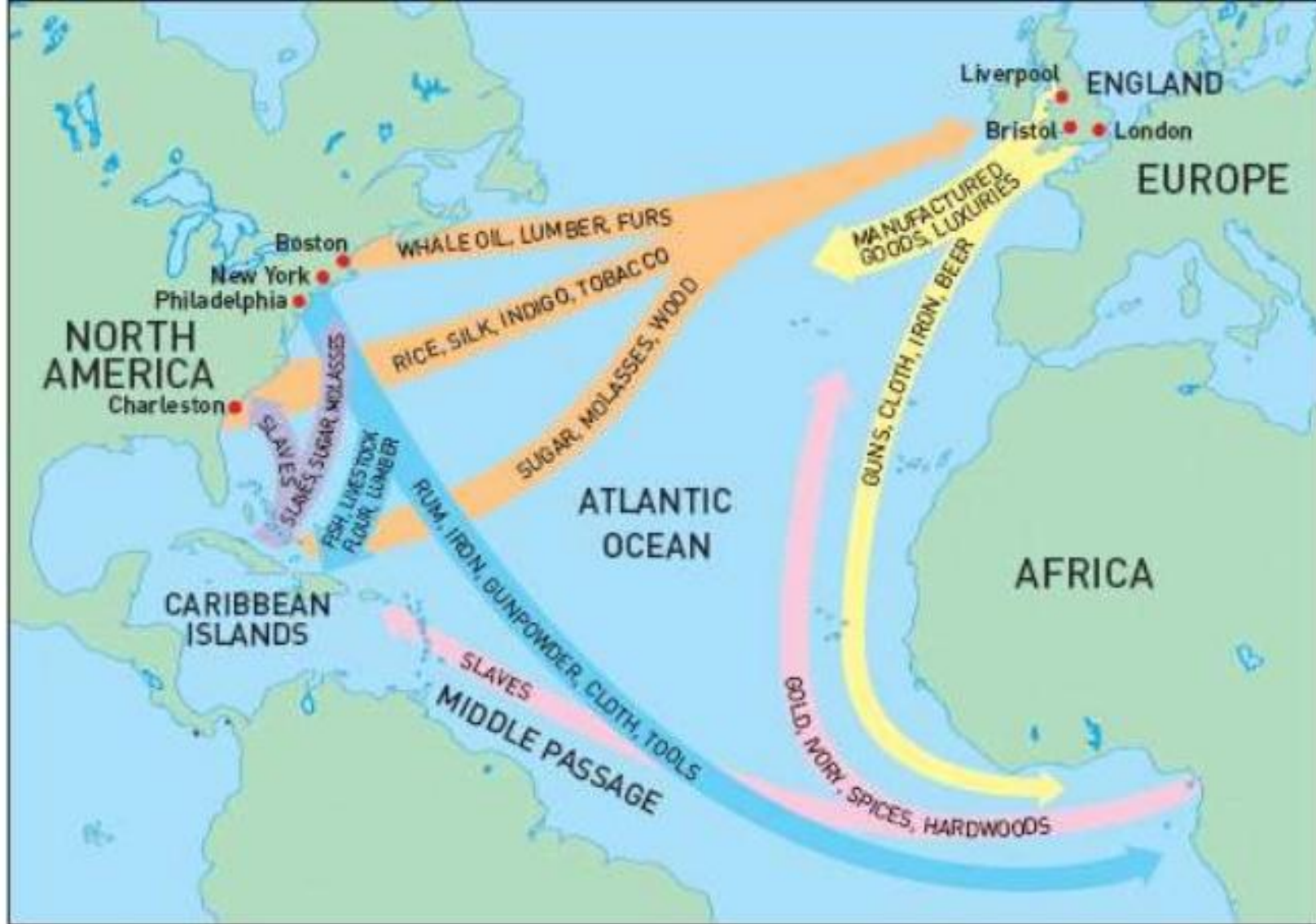
The Mercantilist Argument for Colonial Expansion



Source: Philip Dorf, *Our Early Heritage: Ancient and Medieval History*,
Oxford Book Company (adapted)

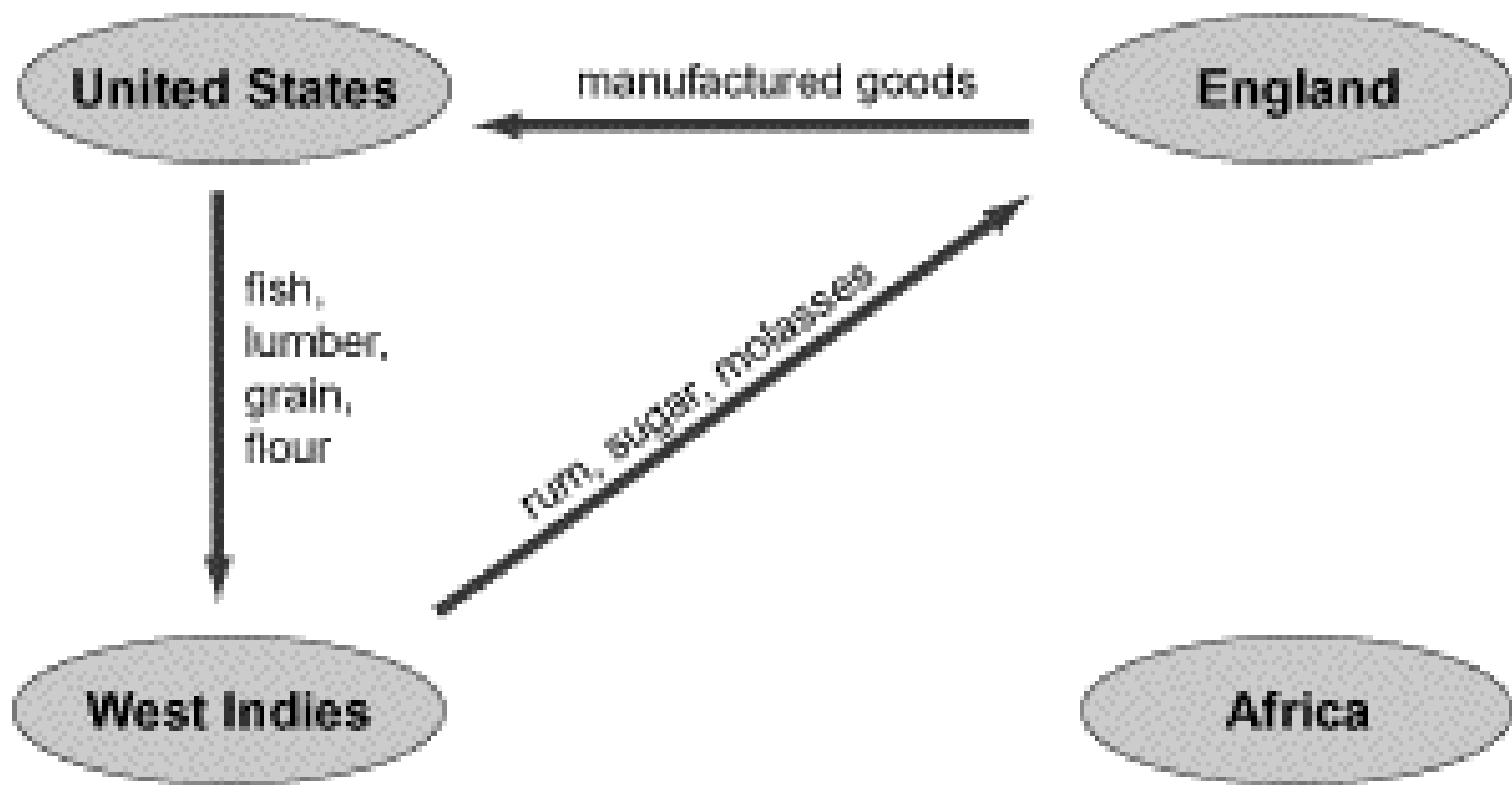


Mercantilism

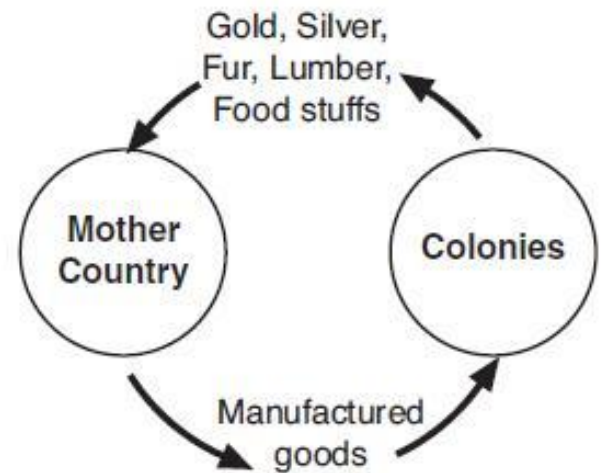
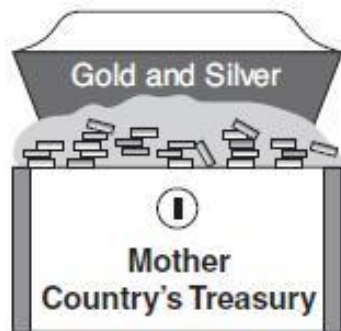


What does this word sound like?





A European View



Conclusion

- A shift in focus in economic texts from ethics and justice to **production** and **growth**.
- There were also some common ideas that help us to identify mercantilism such as **an interest in the balance of trade** and in **economic growth**.
- The important is its role in **the emergence** of liberalism.
- **Self-interested forces** at work in the economic system that bring about changes in **power** and **wealth**.
- As competing group of power or interest, we can list **monarch, parliament, courts**, and **producers**.
- The mercantilists produced the **first real awareness of the monetary** and **political importance of international trade** and, in the process, supplied political economy with a concept of **a balance of trade** that include both visible and invisible items.

Physiocracy

- A reaction against mercantilism
- As a manifestation of the agronomia
- 'Power of nature' (soil)
- The first real school in economics

Physiocracy



François Quesnay (1694-1774)

François Boisguilbert (1646-1714)



William Petty (1623-1687)

Du Pont de Nemours (1739–1817)



Richard Cantillon (1680?-1734)

Lemercier de la Rivière (1720–1793)



François Boisguilbert (1646-1714)

Anne Robert Jacques Turgot (1727–1781)

General ideas about Physiocracy

- Natural order is God's order (harmony between different interests)
- Private ownership

Quesnay says

“The whole magic of a well-ordered society is that each man works for others, while believing that he is working for himself”

Agriculture vs. Industry

Quesnay called those working in agriculture the “productive class” and those working in industry the “sterile class.”

Productive class: Productive because it produces **more wheat than it uses up** (seed plus means of sustenance). Its net product he considered to be a “**pure gift of nature**”—nature works together with men, but it supplies its services for free. Hence the name “physiocracy” for his economic theory, meaning the rule of nature.

Sterile class : Sterile, because it merely processes a part of this net product into other forms (for example, wheat into whiskey) **without adding anything to it**. The landowning class (king, nobility, clergy) obtains a rent from tenants that is equal in value to the net product in agriculture.

Only agriculture creates surplus

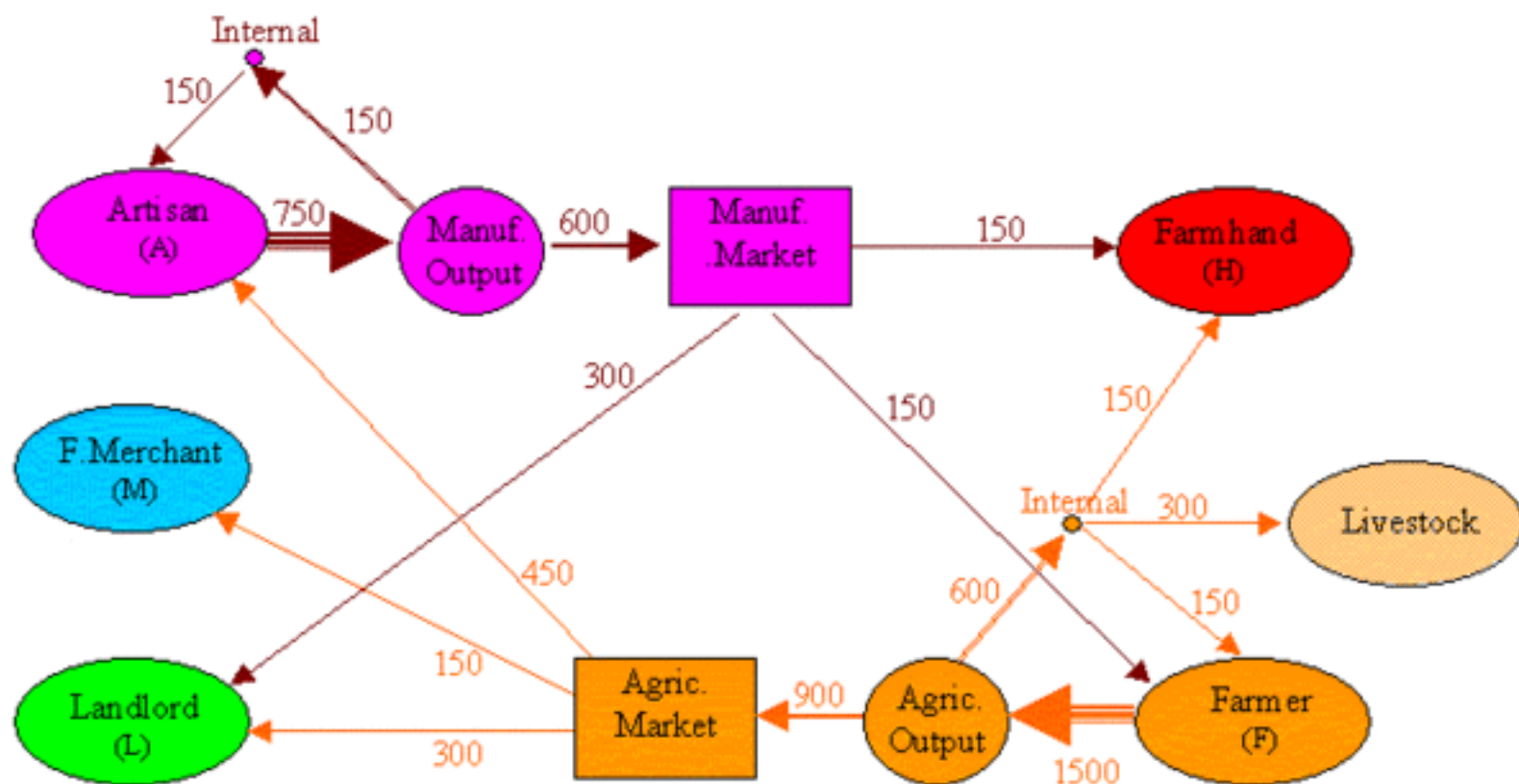
- Physiocrats transferred the inquiry of the sources of the wealth of a society from **the sphere of circulation** to **the sphere of production** and in particular of **agricultural production**.
- The difference between **the output produced** and **the inputs that went into its production** is called **surplus**, or in Physiocratic terminology, **produit net** (net product), **which is appropriated by the landlords**.
- the form of **surplus** is that of rent, which is divided into a series of other incomes such as **profits, interest and taxes**.
- Physiocrats agriculture is the **only sector** with the capacity to create surplus.
-

Tableau Économique

Objets à considérer, 1°. Trois sortes de dépenses; 2°. leur source; 3°. leurs avances; 4°. leur distributive; 5°. leurs effets; 6°. leur reproduction; 7°. leurs rapports entr'eux; 8°. leurs rapports avec la population; 9°. avec l'Agriculture; 10°. avec l'industrie; 11°. avec le commerce; 12°. avec la masse des richesses d'une Nation.

[illegible]

REPRODUIT TOTAL..... 600 il de revenu; de plus, les frais annuels de 600 il et les intérêts des avances primitives de l'abanneur, de 300 il que la terre restitue. Ainsi la reproduction est de 1500 il compris le revenu de 600 il qui est la base du calcul, abstraction faite de l'impôt prélevé, et des avances qu'exige sa reproduction annuelle. *Etc. Voyez l'Explication à la page suivante.*



KEY

- 150 → Flow of Agricultural Output
- 150 → Flow of Manufacturing Output

How to read “tableau économique” of Quesnay?

The process has these steps (consult Figure 1).

1) The farmer produces 1,500 food on land leased from the landlord. Of that 1,500, he retains 600 food to feed himself, his livestock, and any laborers he hires. He sells the remaining 900 in the market for \$1 per unit of food. He keeps \$300 (\$150 for himself, \$150 for his laborer) to buy non-farm goods (clothes, household goods, etc.) from the merchants and artisans. This produces \$600 of net profit, to which Quesnay refers as *product net*.

2) The artisan produces 750 units of crafts. To produce at that level, he needs 300 units of food and 150 units of foreign goods. He also has subsistence need of 150 units of food and 150 units of crafts to keep himself alive during the year. The total is 450 units of food, 150 units of crafts, and 150 units of foreign goods. He buys \$450 of food from the farmer and \$150 of goods from the merchant, and he sells 600 units of crafts at the market for \$600. Because the artisan must use the cash he made selling his crafts to buy raw materials for the next year's production, he has no net profit.

3) The landlord is only a consumer of food and crafts and produces no product at all. His supposed "contribution" to the production process is the redistribution of \$600 in land rent the farmer pays for the use of naturally occurring land. The landlord uses \$300 of the rent to buy food from the farmer in the market and \$300 to buy crafts from the artisan. Because he is purely a consumer, Quesnay considers the landlord the prime mover of economic activity. It is his desire to consume which causes him to expend his entire lease income on food and crafts and which provides income to the other classes.

4) The merchant is the mechanism for exporting food in exchange for foreign imports. The merchant uses the \$150 he received from the artisan to buy food from the market, and it is assumed that he takes the food out of the country to exchange it for more foreign goods.

ADAM SMITH

(1723- 90)

Who is Adam Smith ?

