**Mercantilism: Primary Source Analysis**

**Thomas Mun** was a director of the British East India Company. Below is an excerpt from his work: *England's Treasure by Forraign Trade, or The Ballance of our Forraign Trade is the Rule of our Treasure*.

“Although a Kingdom may be enriched by gifts received or by purpose taken from some other Nations, yet these are things uncertain and of small consideration when they happen. The ordinary means therefore to increase our wealth and treasure is by Foreign Trade, wherein we must ever observe this rule: to sell more to strangers yearly than we consume of theirs in value. For suppose that when this Kingdom is plentifully served with the Cloth, Lead, Tin, Iron, Fish and other native commodities, we do yearly export the overplus to foreign countries to the value of twenty-two hundred thousand pounds; by which means we are enabled beyond the Seas to buy and bring in foreign wars for our use and Consumptions, to the value of twenty hundred thousand pounds: By this order duly kept in our trading, we may rest assured that the Kingdom shall be enriched yearly two hundred thousand pounds, which must be brought to us in so much Treasure; because that part of our stock which is not returned to us in wares must necessarily be brought home in treasure…

Let Princes oppress, Lawyers extort, Usurer bite, Prodigals be, and lastly let Merchants carry out what money they shall have occasion to use in traffique. Yet all these actions can work no other effects in the course of trade than is declared in this discourse. Or so much Treasure only will be brought in or carried out of a Commonwealth, as the foregin Trade doth over or under balance in value. And his must come to pass by a Necessity beyond all resistance…

Behold then the true form and worth of foreign trade, which is *The great Revenue of the King*.”

**Questions based on Mun’s work:**

1. What does Thomas Mun consider to be a favorable balance of trade?
2. How are these views consistent with mercantilist thought?
3. How do they differ from your understanding of modern economic life?

**David Hume,** Scottish philosopher. Below is an excerpt from his work *Political Discourses*.

“Having endeavoured to remove one species of ill-founded jealousy, which is so prevalent among commercial nations, it may not be amiss to mention another, which seems equally groundless. Nothing is more usual, among states which have made some advances in commerce, that to look on the progress of their neighbors with a suspicious eye, to consider all trading states as their rival, and to suppose that it is impossible for any of them to flourish, but at their expense. In opposition to this narrow and malignant opinion, I will venture to assert, that the increase of riches and commerce in any one nation, instead of hurting, commonly promotes the riches and commerce of all its neighbors; and that a state can scarcely carry its trade industry very far, where all the surrounding states are buried in ignorance, sloth and barbarism”.

**Questions based on David Hume’s work:**

1. What specifically is Hume attacking in this excerpt?
2. What specifically he is promoting?

**Adam Smith** was a Scottish [moral philosopher](https://en.wikipedia.org/wiki/Ethics), pioneer of [political economy](https://en.wikipedia.org/wiki/Political_economy), and key [Scottish Enlightenment](https://en.wikipedia.org/wiki/Scottish_Enlightenment) figure. Below are excerpts from his work, *An Inquiry into the Nature and Causes of the Wealth of Nations*.

“By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?

To widen the market and to narrow the competition, is always the interest of the dealers…The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

Every individual… neither intends to promote the public interest, nor knows how much he is promoting it… he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our necessities but of their advantages.

The man of system…is apt to be very wise in his own conceit; and is often so enamoured with the supposed beauty of his own ideal plan of government, that he cannot suffer the smallest deviation from any part of it… He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board. He does not consider that in the great chess-board of human society, every single piece has a principle of motion of its own, altogether different from that which the legislature might choose to impress upon it”.

**Questions based on Smith’s work:**

1. What is Smith criticizing when he discusses Scotland and wine-making?
2. What is Smith’s position on the subject of widening a market and narrowing the competition?
3. Interpret Smith’s concept of the “invisible hand”.
4. Interpret Smith’s analogy of the “chess-board”.
5. What is Smith’s position on the involvement of government in regulating a country’s economy?

**Analysis of Mun, Smith and Hume:**

1. Mun and Smith see trade as having benefits, but their ideas differ. Explain.
2. What criticisms would Mun have with Smith’s and Hume’s arguments?
3. What criticism would Smith and Hume have for Mun’s arguments?
4. Which of the two authors are most in agreement in their arguments?