Economic Ideas Before Adam Smith

Chapter 2 · August 27 and September 1 Name ____________________

Keep this. Fill it in as we go. The blanks are not words off the slides — each one is a decision you have to make, and the last box is for what you still do not understand.

Before we start

Answer these now, before the lecture. Being wrong is fine and still helps.

> A merchant buys cloth in India for £10 and sells it in London for £15. **Who made the £5?**

> It is 1600. Nothing you can measure is growing. **What would you say a country's wealth consists of?**

> Your professor claims mercantilists were not stupid. **What would have to be true about their world for their ideas to be reasonable?**

1. Why profit came from exchange

In 1600 the weaver owned his loom and worked in his own cottage. The merchant owned money, a warehouse, and a ship.

one sentence

Why could the merchant not increase his profit by speeding up production?

Mercantilists located profit in two places:

- Over time — buy, hold, sell later into ____________________
- Over space — buy cheap in ____________, sell dear in ____________

look at the chart

Prices tripled between 1500 and 1650 and wages did not. Name one group this made rich and one it ruined.

2. What Barbon says value is

Barbon: a thing is worth whatever someone will pay for it. If that is true, what happens to the idea of a *fair* price?

3. Whose England?

The proposal: ban imported Indian cotton cloth. Mark each group **W** for wins or **L** for loses.

English cloth producers	_____	The Crown	_____
London consumers	_____	Indian textile producers	_____
EIC shareholders	_____	Smugglers	_____

this is the question the whole course turns on

When a writer says this policy is good for "England," which of those groups does he mean?

4. The moral order moves

The old ethic said greed was a sin and the state should regulate the economy for the common good. Then it stopped saying that.

Christian paternalist ethic	What replaced it
Wealth and acquisitiveness are suspect.	
Poverty can be holy.	
The Church relieves the poor.	

name the person

Who argued that when merchants ask for a special regulation, they are calling their own interest the common good?

5. Where the surplus comes from

By the late 1600s writers stop asking how much treasure England holds and start asking something else.

Defoe (1713): it is the ______________ of the people that alone brings wealth.

Petyt (1680): people are the chiefest and most precious ______________.

two sentences

Both men are reaching for an idea they cannot yet state. What is it, and what were they still missing?

The Physiocrats gave the wrong answer to the right question. What was the question, and what was their answer?

6. The distinction to carry all semester

Wealth comes from exchange	Wealth comes from production
Who holds this view?	
Where does profit come from?	
What does it imply about labor?	

Before you leave

1. The merchant now owns the wool, the loom, and the cloth. Where does his profit come from?

2. Mandeville said private vices produce public benefits. State his claim in your own words, then say what would have to be true for it to be right.

What I still do not understand

Be specific. "All of it" does not help either of us.