Evolution of Trade Theories I

From Mercantilism through Ricardian Trade

Trade Theory Evolution

• We see in Chapter 2 that gains from trade accrue to all involved

• This has not always been the predominant view of trade theory.

• Trade theory has evolved over time from “zero-sum” to “win-win”

Trade Theory Evolution II

• Trade theory timeline
  – Mercantilism (1500-1750)
  – Absolute advantage (Adam Smith)
  – Comparative advantage (David Ricardo)
  – Resource availability (Heckscher-Ohlin)
  – “New trade” models (1950’s)
Mercantilism

• 16th – 18th Century
• “Economic Nationalism”
• “Zero Sum” Trade Policies
  – Trade Surpluses
  – Monopolies
  – Exports (+)/ Imports (-)

Mercantilism II

• Why did mercantilism develop?

• Does mercantilism exist today?