

## Walton & Rockoff - Chapter 4 Review: Trade Patterns

### I. Mercantilism, the Navigation Acts, & the Balance of Payments

#### A. Mercantilism

1. ultimate goal: increase the power and glory of the state
2. Proximate goals
  - a. Avoid imports and encourage exports  $\Rightarrow$  inflow of specie  
Spain's example
  - b. Keep skilled artisans at home
3. How?
  - a. Establish colonies for a source of staples (raw materials)
  - b. Keep trade within the empire, i.e. run a trade surplus
4. More specifically ... later. We'll see this in **I.D.**

#### B. What balances a trade surplus?

1. Hume's Price/Specie Flow Mechanism
  - gold inflows  $\Rightarrow \uparrow P_{\text{England}} \Rightarrow \downarrow X_{\text{England}}$  and  $\uparrow M_{\text{England}}$
  - (gold inflows count as Brit purchases of foreign assets, i.e. a debit)
2. Other payments

#### C. GB's Balance of payments

- Exports > Imports  $\Rightarrow$  money inflows from trade in commodities
- Brits investing abroad & Gov. payments going abroad  $\Rightarrow$  money outflows

#### D. The Navigation Acts

1651: After Eng Civil War, attempts to regain control in colonies

1660: Restoration

- All trade to and from colonies has to be carried in "English" (includes colonial) vessels
- Foreign merchants cannot trade directly with colonies. "Non-English" imports had to be shipped through England.
- **Enumeration:** certain colonial products had to be shipped to England (later GB) before being shipped and sold elsewhere.

- (1663) sugar, indigo, dyewoods, cotton  
mostly affected West Indies at first
- (1704-5) rice (later allowed into Spain) & molasses (from sugar), naval stores
- (1721) furs & skins
- often a rebate on duties paid to ship to England
- Start Monday Admiralty Courts (1696 +) established to enforce acts
- Restrictions on colonial exports
  - (1699) wool and wool products
  - (1750s) beaver hats, finished iron goods
  - exceptions: intermediate goods between colonies

#### E. 13 Colonies Balance of payments: 1768 - 1772

Item	Inflow (Receipts, +) 1,000s of £'s	Debits (payments, -) 1,000s of £'s
<b>Commodities (Merchandise)</b>		
Colonial commodity Exports	+ £ 2,800	
Colonial commodity Imports		- £ 3,920
<b>Colonial ship sales</b>		
net	+ £ 140	
<b>Invisible Earnings (Services)</b>		
Net Shipping cargoes	+ £ 600	
Shipping insurance, commissions	+ £ 220	
<b>Payments for Human Beings</b>		
Indentured Servants		- £ 80
Slaves		- £ 200
<b>Government Transactions</b>		
Colonial Taxes going to GB		- £ 40
Royal govt. £ going to the colonies	+ £ 450	
<b>Net Sales of Assets/Debt (i.e. investments)</b>		
Net investment in the Colonies	+ £ 30	

Source: Walton & Shepherd, *The Economic Rise of Early America*, 1979

F. So what?

1. Royal Govt. Spending & Sales of Ships & Ship services balance commodity deficit.
2. Imports of Slaves & Indentureds exacerbate deficit
3. Investment from abroad is relatively small.

II. Trade patterns

A. What commodities were being exported (excludes shipping, etc.)?

The 13 Colonies Top Commodity Exports

1768-1772: Avg. annual values

Source: Walton & Shepard, *The Economic Rise of Early America*, 1975

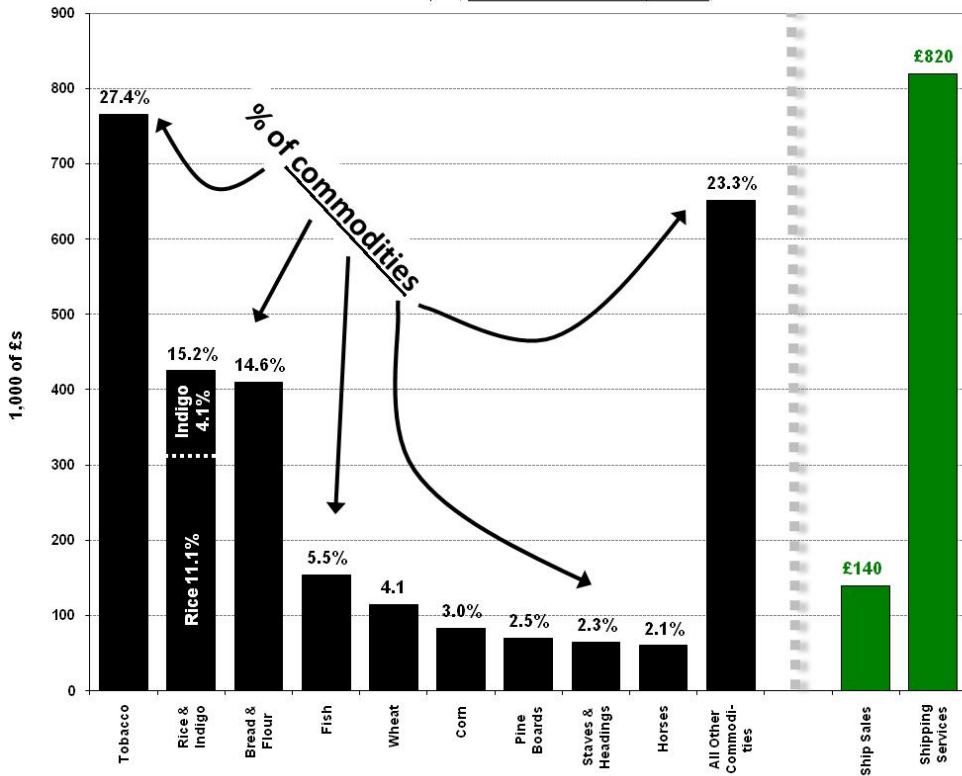
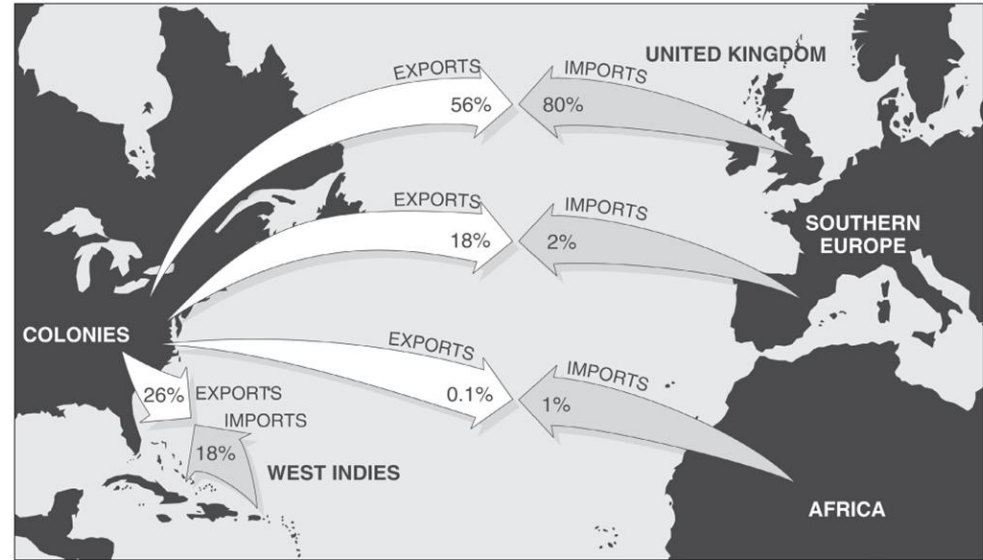


Figure 4.1 Commodities



Source: *Shepherd and Walton 1972, 160-161.*

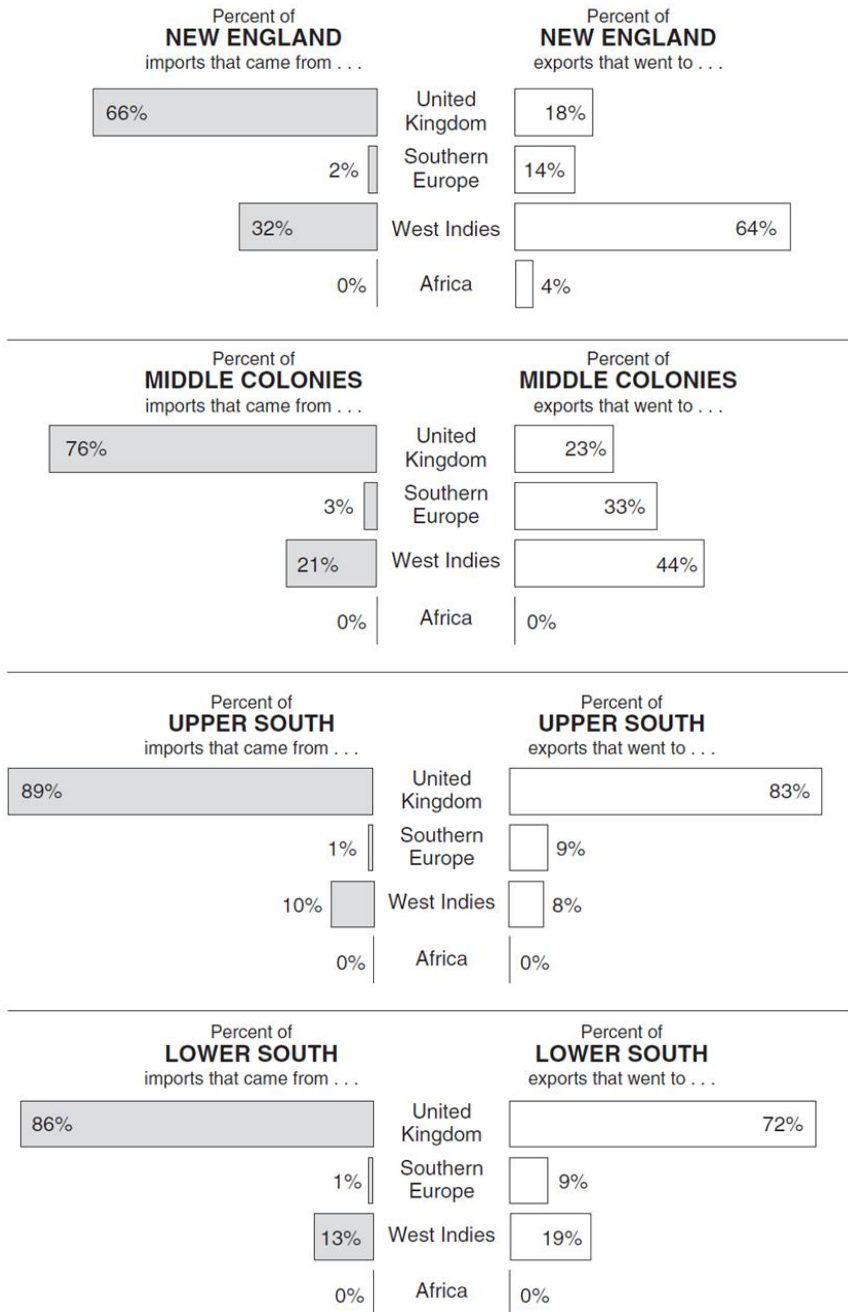
Table 4.4 Commodities

	GREAT BRITAIN AND IRELAND	SOUTHERN EUROPE	WEST INDIES	AFRICA	ALL TRADES
New England	£-0,609	£+048	£-36	£+19	£-0,577
Middle Colonies	-0,786	+153	-10	+01	-0,643
Upper South	-0,050	+090	-09	00	+0,031
Lower South	-0,023	+048	+44	0	+0,069
Total	-1,468	+339	-11	+20	-1,120

Notes: (1) A plus sign denotes a surplus (exports exceed imports); a minus sign, a deficit (imports exceed exports). (2) Values are expressed in prices in the mainland colonies; thus, import values include the costs of transportation, commissions, and other handling costs. Export values are also expressed in colonial prices and, therefore, do not include these distribution costs.

Source: *Shepherd and Walton 1972, 115.*

Figure 4.2 Commodities



Source: Shepherd and Walton 1972, 160–161.

key: information is costly

## 2. Who carried the trade?

- Overall, NE & Middle Colonies may have had a comparative advantage over Brits.
- Home port advantage (don't have to pay for labor you aren't using, knowledge of markets, etc.)

SHIPS CLEARING	WEST COLONIAL OWNED			WEST COLONIAL OWNED			WEST COLONIAL OWNED		
	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES
From New England	85	15	0	93	7	0	96	3	1
From Middle Colonies	72	28	0	75	25	0	80	20	0
From Upper South	12	88	0	88	12	0	85	0	15
From Lower South	23	77	0	0	100	0	51	23	26

SHIPS ENTERING	FROM GREAT BRITAIN			FROM SOUTHERN EUROPE			FROM WEST INDIES		
	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES	TO GREAT BRITAIN	TO SOUTHERN EUROPE	TO WEST INDIES
Into New England	68	32	0	84	16	0	96	1	3
Into Middle Colonies	63	37	0	76	24	0	84	16	0
Into Upper South	9	91	1	33	67	0	61	23	16
Into Lower South	12	88	0	20	80	0	30	43	27

Source: Walton 1968, 368.

- NE & Middle Colonies to Britain:  $\cong$  75% NE & Middle
- NE & Middle Colonies to West Indies:  $\cong$  90% NE & Middle
- Southern Colonies to Britain:  $\cong$  90% British
- West Indies to Britain: mostly British

## Study problems

- Describe the economic theory of "Mercantilism".

- When was mercantilism in vogue? What historical example may have inspired mercantilism?
  - Critique mercantilism. More precisely, explain some (I'm looking for 2 in particular) of the possible consequences of running a trade surplus? Is one of these better than the other? Why?
- 2.
- Describe the "Navigation Acts".
  - How did they affect the colonies? (ex. Were they effective at reducing the likelihood a ship would be lost at sea?)
- 3.
- Describe the American colonies trade balance on the eve of the revolution. Were the colonies running a trade deficit or surplus?
  - What was balancing this out?
  - What were some of the differences (in terms of trade surpluses or deficits) among the different regions/colonies?
- 4.
- Describe the major exports of the colonies.
  - Which regions tended to export what?
  - Where did each region's exports tend to go?
  - You may also want to know the economic rationale for these trade patterns.
- 5.
- Who tended to carry the trade with the colonies; American, British, or other nation's shipping companies? Why?
  - What patterns (i.e. types of paths ... ex. random octagonal paths) did these shipping companies tend to take? Why?