

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?
