**Mercantilism—(AKA economic nationalism)**

**The goal is creation of wealth for the country.**

**-Favorable balance of trade (export more than you import)**

**-Protective tariff**

**(making it harder for other countries to sell to your market)**

**-Colonies provide raw materials to domestic industries.**

**-Colonies provide markets for manufactured goods.**

 **-limit their ability to manufacture for themselves**

**-Trade restrictions**

 **-all trade with the colonies must come through the mother**

 **country so taxes can be paid to the crown.**

 **-Do not allow other countries to compete for trade in the**

 **colonies (esp. those items you also produce).**

**-More military conflicts as European powers compete for access**

 **to raw materials.**

**Adam Smith *Wealth of Nations* (1776)**

**This would have been a bit late to have influenced the decision to break with Britain, but would have been in people’s minds during the Revolution and as the new government was being established.**

**-Man’s tendency is towards self-interest and when all act with that in mind it will bring prosperity for all.**

**-The “invisible hand”**

**-*laissez faire* government leaves the economy to function without interference.**

**-comparative advantage—all benefit when each country produces what they are best equipped to produce**

**-free market capitalism**

**-free trade**

**Why this is difficult today (Can we have it both ways?):**

**-We expect government to protect us from unsavory business practices**

**-The government is blamed when the economy is not doing well.**

**-Government action is expected during economic crisis**