

Mercantilism Through the Triangular Trade – Answer Key

1. Discuss and define the following economic terms:

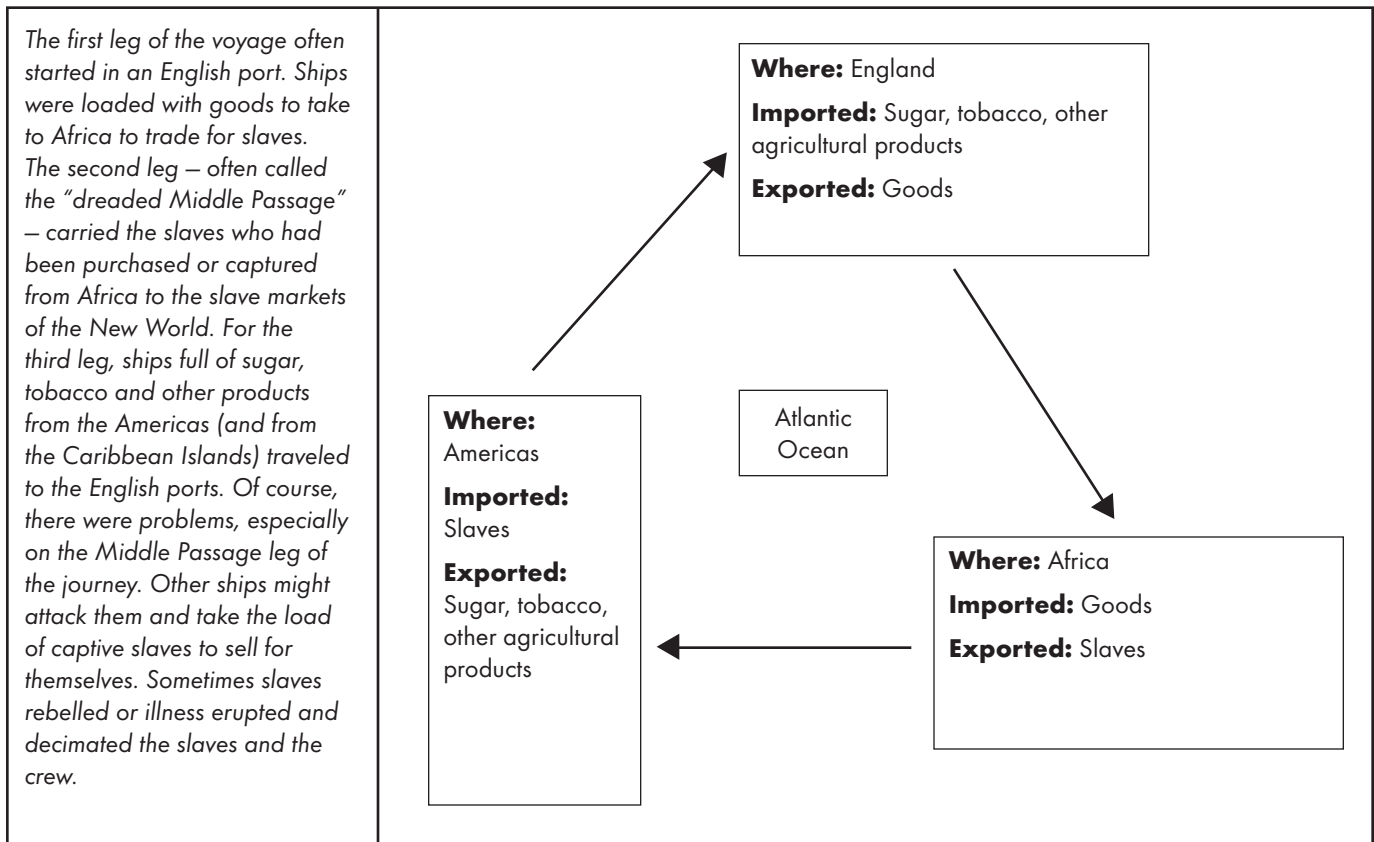
a. Import – Goods or resources that come into the country from other countries.

b. Export – Goods or resources that leave the country and are sold to other countries.

c. Goods – Items that are made (manufactured) for sale.

d. Markets – Places where items are bought and sold (can be physical, such as a store, or virtual, such as EBay).

2. From the paragraph below, complete the chart in the space provided that shows the triangular trade of the 18th century.



The triangular trade is an example of **mercantilism**, or the idea that the mother country gains wealth and power by controlling the trade of its colonies. By taking products from America and then either creating manufactured goods or selling the original products to other countries (foreign markets), England was able to profit from the wealth of goods found in America. An American merchant would not be able to deal with another country directly, but would have to operate within the rules the English government established for them.

3. From the chart, determine the following:

a. What is the mother country in the chart? England

b. Who is the mother country's colony? America

c. Who is the foreign market? Africa

Another way to understand mercantilism is to compare it with a modern example. Rather than focus on a country, let's look at a company. Today, mercantilism is called franchising, and instead of referring to a country and its colonies, a franchise refers to the corporation (parent company) and the individual franchises (owner).

McDonald's Corporation is one of the world's biggest companies. However, independent individuals own many of the McDonald's restaurants that you visit. Anyone wishing to own an individual McDonald's restaurant pays McDonald's Corporation a fee to open up the restaurant. In running one's own McDonald's restaurant, the person has to agree to operate it in the manner that McDonald's tells him or her to. The owner must agree to set prices and include menu items as instructed by McDonald's Corporation. They must also use McDonald's logos, merchandise and suppliers for food, paper products, drinks, etc.

Therefore, the McDonald's restaurant is nearly completely controlled by the parent company, McDonald's Corporation. The profits made at the restaurant are the owner's to keep, but he or she has to pay the corporation a monthly fee and pay to use the items provided by McDonald's. By making franchises follow their rules, the parent company gains wealth and power – especially as more restaurants open up. Owners also make a profit, but have little control over the product. Although each McDonald's restaurant is independently owned, every owner must follow the same rules in conducting business.

4. How does one's ownership of a McDonald's franchise help the corporation gain wealth and power? You are paying a fee to McDonald's to run a restaurant and buying from their suppliers. Also, the more McDonald's there are, the more the parent company gains nationally.

5. How does the main McDonald's corporation help individual restaurants succeed? You are getting a proven and quality product from corporate McDonald's (the food, logos, marketing, etc.) and buying from suppliers that are trusted by the parent company.

6. Compare this with the examples of mercantilism from #2.

a. The parent company would be the equivalent of what (from #2 above)? England

b. The individual McDonald's owner would be the equivalent of what (from #2 above)? The American colonies

7. Is there another example you can think of today that is similar to the idea of mercantilism? Answers will vary.
