Doc. 3.3 Mercantilism: by Gerald N. Grob and George A. Billias

In the sixteenth and seventeenth centuries, every major European power involved in exploration and settlement practiced some form of mercantilism. Mercantilism, as such, was not so much a set of economic theories as some basic assumptions about national security and economic interest that colonial policy was designed to promote. For this reason, the concept of mercantilism is a key element in understanding the relationship that evolved between the colonies and England. The following section from the work of historians Gerald N. Grob and George A. Billias summarizes the main features of mercantilism.

...At the time that the first colonies were being founded, the basic assumption of English mercantilist thinkers was that nation-states should regulate their economic life in such a way as to strengthen themselves for competition with other nation-states. As far back as the fifteenth century, the English government had adopted policies on a nation-wide basis regulating the buying and selling of goods so as to encourage trade which was good for England and to discourage that which was bad. England was not alone in adopting the concept of mercantilism; the same economic philosophy was being practiced by all the major countries in western Europe. Each nation, however, decided to stress those distinctive features of mercantilism which would produce for it the greatest prosperity and national strength. Spain, for example, stressed the amassing of precious metals, Holland the control of external trade, and France the regulation of internal trade.

England, on the other hand, emphasized four major aims in her mercantilism: (1) to encourage the growth of a native merchant marine fleet so that England might control the shipping of her own goods; (2) to provide protections for England's manufactures; (3) to protect England's agriculture, especially her grain farmers; and (4) to accumulate as much hard money as possible. The ultimate objective of these mercantilist measures was always the same- to make England self-sufficient and strong as a military power.

Beginning in the seventeenth century, the British government sought to extend these mercantilist principles to its colonies. Mercantilist thinkers emphasized that no nation could achieve greatness without colonies. Great Britain rather belatedly embarked upon a career as a colonizing power. Colonies were expected top supplement the economy of the mother country with raw materials, serving as markets for English manufactures, and conducting their trade in such a way as to benefit Britain. In order that various segments of the British empire might fit into this mercantilist framework, Parliament passed laws which regulate, in part, the economic life of all her colonies.

Parliament's program for the American colonies in this regard during the century between the 1650's and 1750's was called the Old Colonial System... One of the main features of this system was a series of Navigation Acts designed to channel colonial commerce into paths profitable for the mother country. To assure the dominance of the British merchant marines fleet over the lucrative carrying trade between England and America, Parliament passed the Navigation Act of 1651. This act required all goods traded within the empire to be carried in British or American ships, or in the ships of the country of manufacture. To make certain that the mother country would receive the benefit of the valuable raw materials produced in the colonies, the Enumerated Commodities Act of 1660 was passed. This law specified that certain colonial products such as such as tobacco, sugar, and indigo could be shipped only to England or to other English colonies. The mother country exercised control over colonial imports as well as exports. Under the Staples Act of 1663, Parliament ruled that some goods shipped from Europe to the American colonies had to pass through English ports first. Thus, duties could be placed on European goods before they were shipped to America, thereby protecting British merchants from foreign competition in the colonial market.

A second aim of the Old Colonial System was to make it possible for England to continue to accumulate hard money. There was an unfavorable balance of trade between Britain and the American colonies, and, whenever possible, the mother country insisted upon being paid in specie [gold or silver]. Consequently, whatever hard money the colonies obtained in their trade with the West Indies or other parts of the world was drained off to England. English merchants refused for the most part to accept colonial paper money in payment for debts and Parliament backed them by ruling that colonial notes were not legal tender for such transactions. British merchants made it a rule never to send bullion or gold or silver coins to American and eventually Parliament passed a law to that effect. Statutes regulating the flow of hard money, then, were designed to protect the mother country.

Certain American industries were also subjected to regulation under the system to prevent them from competing with Britain. The woolen industry was restricted to some degree by the Woolens Act of 1699 which prohibited the export of wool, yarn, or woolen cloth in foreign or intercolonial trade. In 1732, the Hat Act prohibited the sale of hats abroad or to any other colonies. Under the Iron Act of 1750, steps were taken to prohibit the making of many finished iron products. American attempts at manufacturing were also discouraged to some degree by British laws which made it a crime to lure skilled workers or import textile machinery from England...

<u>Mercantilism Questions</u>

1. **Explain what is meant by the term "mercantilism."**

2. **According to the theory of mercantilism, what was the main purpose of having overseas colonies?**

3. **What were the four specific goals of British mercantilism?**

4. **What did the Navigation Acts do?**

5. **What impact might mercantilist policies, if strictly enforced, have on the economies of the colonies?**