

MERCANTILISM

The American colonies in the British empire were exploited in the name of mercantilism. The following excerpt explains the idea behind mercantilism and how it was put into practice.

For almost three centuries—from soon after the discovery of America to the time of the American Revolution—mercantilism was the name of the game. The British, the French, Dutch, Spaniards, Portuguese, Italians, and some others all tried to do whatever they could to increase the “wealth of the nation”—the nation’s gold. The rulers and merchants of each nation worked together, playing their own little game, trying to enrich themselves, their nation—both at the expense of all the other nations, and at the expense of their own common people and their colonists as well. This idea, “There’s only so much wealth around, so more for me means less for you,” was still accepted as a basic truth. The world was not yet ready to accept the idea that there might be economic growth, with a growing amount of total wealth for everybody... (p.23)

The basic idea of mercantilism was that the government directs the economy so as to gain more national wealth and power. More national wealth and power was usually thought of as “more gold and silver.” Many of the production and distribution choices were made by the political process—by the king and the nobility. The government would (a) stimulate the output of goods which could be exported in exchange for gold, and (b) limit domestic consumption, both of exportable goods and of imported goods. (The people must not be allowed to overeat, or own many things. Only kings and noblemen should.)

Every king knew that if he had enough gold he could hire enough soldiers, buy enough armaments, and build enough ships to be the most powerful king in the world. He could send out many explorers and privateers, and get back even more gold. Gold was seen as the key to the nation’s wealth and power. The economic condition of the average person was not a matter of much concern to those who were making the economic choices for the society under mercantilism....

In a word, then, mercantilism was a closely controlled economy, aimed at maximizing exports so as to maximize the inflow of gold. Imports of raw materials were good, because these would go into more manufactured goods for export. It was okay to import cotton, make shirts and skirts, then export the shirts and skirts to trade for more cotton—and for gold. But imports of consumer goods “for the people to enjoy” (like wheat, to eat) was discouraged. Exporting industries were favored in various ways. Imports were restricted. (p.21)