Mercantilism

*Merriam-Webster definition: an economic system developing during the decay of feudalism to unify and increase the power and especially the monetary wealth of a nation by a strict governmental regulation of the entire national economy usually through policies designed to secure an accumulation of bullion, a favorable balance of trade, the development of agriculture and manufactures, and the establishment of foreign trading monopolies*

During the 17th and 18th centuries European countries shared an economic philosophy focused around mercantilism, the idea that a nation's existence depended on power, and power depended on wealth. To gain wealth a country had to have colonies. These provided a constant source of raw materials and become markets for the manufactured goods to the country that owned them (their "Mother Country”). For example, the colonists cut down trees; these trees were sent to England where craftsmen made furniture, paper, barrels, and tools. These goods were then sent back to the colonies and sold to the colonists. The money went back to England.

This process also helped England establish a favorable balance of trade. Under mercantilism, a nation had to sell more products to other countries than it bought from other countries. Products were sold for gold and silver, which helped build up the treasuries of European countries.

The degree of control varied according to the nation. In the 1500s, Spain and Portugal exerted strict control over their colonial inhabitants. However, the British were more lax in governing their colonies. Each European nation came to realize that the colonies could provide increased trade if competition could be eliminated.

From 1650 on, England instituted a series of laws of trade and navigation known as the Navigation Acts. Their purpose was to limit colonial trade to the British only. In order to accomplish this, all trade between colonists and the British was to be conducted on either English vessels or colonial-built vessels. If colonists intended to trade with any other nations, all goods had first to be shipped to England, giving her an opportunity to handle them and collect revenue from taxation. In addition, there were certain products that could be traded only with Britain, such as tobacco, sugar and cotton. As time went on, the list of enumerated goods grew -- continually decreasing merchandise that the colonists could sell to other nations.

In keeping with the general policy of mercantilism, England encouraged the colonists to specialize in the production of raw materials. English factories converted raw goods to products, which were then shipped back to the colonies. This provided the British with a profitable market, free from competition. In order to discourage manufacturing, regulations governed certain industries that would have been competitive with the British. The colonies were not allowed to make any products they could buy from England. In other words, if you needed a barrel to pack your goods, a cooper in your town could not make or sell you that barrel. You had to buy the barrel from England. Meeting domestic needs was permissible within the regulations; they were intended mainly to prevent exports. Such restrictions particularly caused havoc in the Spanish and Portuguese colonies.