

Mercantilism

Introduction

- Dominated European thought – promoted economic regulation by governments
- Increase power of state at the expense of other nations
- Favorable climate for the growth of capitalism
- Objectives
 - accumulate adequate stock of resources
 - protect home industry from competition
 - enable home industry to compete successfully in foreign markets
 - create prosperous and powerful self-sufficient nation state

Necessary Components

- Favorable balance of trade (More export than Import)
- Colonies – source of raw materials & markets
- Large Population – labor, market, man power for military
- Manufacturing favored over agriculture
- Processing over Raw Materials
- Mother country over Colonies
- Laws controlling mercantilism
 - limit colonial manufacturing
 - enclosure movement
 - English farmland enclosed
 - peasant farmers become drifters – seek employment

Criticisms of Mercantilism

➤ Positives

- New England shipbuilding prospers
- Chesapeake monopoly on tobacco in England
- English military protects colonies from attacks by France & Spain

➤ Negatives

- Colonial manufacturing severely limited
- Chesapeake farmers get low prices for crops
- Colonists pay high prices for manufactured goods from England
- Adam Smith – wrote The Wealth of Nations
 - felt all parties could benefit in free, natural trade
 - nation's wealth not based on sum of total of precious metals
 - free market produces a more representative democracy
 - no monopolies or price fixing
 - unbalanced budget often leads to war
 - taxation with representation

Mercantilism Implemented

- Stop Dutch control of English trade
 - banned foreign ships from trading in English colonies without special license
 - required goods coming to England to be on ships built o owned by England
 - goods from England must be carried on English ships
 - no importing of fish
 - due to lack of ships in English fleet, Virginia, Mass., Rhode Island, and Connecticut say they will continue to trade with Dutch

Navigation and Trade Acts

- Nav. Act of 1660
 - no goods in or out of colonies unless owned or built by England or colonies
 - sugar, indigo, and tobacco could only go to England
- Nav. Act of 1663
 - goods going to colonies only on ships built or owned by England
- Nav. Act of 1673
 - duties on goods from one colony or plantation to another
 - customs agents sent over
- Nav. Act of 1696
 - all colonial trade on English built ships
 - English navy will be enlisted to enforce laws
 - all colonial laws against the Nav. Acts are null & void
 - difficult to police the coastline – Salutary Neglect
- By the time of the Revolution, only key item NOT taxed or manipulated by English is salt fish

Laws Benefiting the Colonies

- Bounties on Naval Stores (pitch, tar, rosin, turpentine, hemp, masts, yards, indigo)
- Tobacco from Spain frozen out of English market

Additional Restrictions

- No colonial trade with Asia
- Colonies couldn't produce anything in competition with England
 - Wool Act 1699 – forbade export of wool products from colonies. Also restricted wool exports from Ireland (causes depression & emigration)
 - Hat Act 1732 – no hats exported from colonies, hurt fur trade
 - Molasses Act 1733 – duty on rum, molasses, sugar, and spirits to protect British West Indies
 - Iron Act 1750 & 1757 – no building of mills, forges, or steel furnaces
 - By 1767, all non-enumerated goods had to go through England

Triangular Trade

- New England fish, lumber, and flour go to West Indies for sugar, molasses, and rum
- It is then turned around and sent to England for manufactured goods
- New England gets slaves from West Indies who got them from Africa

Dominion of New England

- British crown determined to increase control of colonies
- Combines New York, New Jersey, and the various New England colonies into a single unit
- Sent Sir Edmund Andros to govern
 - levies taxes
 - limits town meetings
 - revokes land titles
- Glorious Revolution changes crown, end of Dominion of New England
- Colonies go back to normal
- Lasting impacts of Dominion of New England
 - more English officials in colonies
 - mercantilism is still in place
 - restrictions on colonial trade, although poorly enforced, are resented & resisted