

What is Mercantilism?

Mercantilism is all about trade and how trade is conducted. **Mercantilism is a system of government controlled trade.** It is not a system of free trade.

FREE TRADE OR CAPITALISM: In a system of free trade or capitalism, there are laws that control trade. These laws are set by the government. But you, as the owner of the goods, can decide how much you are going to charge for your goods, and you can decide (for the most part) where you can sell your goods.

It took a while to develop good laws for free trade, but in modern times, no company can have a monopoly on a specific product. You must have a competitor. If you don't have a competitor, the government will step in and become your competitor. If you team up with other companies and agree that you will all sell the same product at the same price, that's also against the law - it's called price fixing. Price fixing creates in effect a monopoly. You might sell your goods at the same price, but you can't agree to do so in advance.

In a system of free trade or capitalism, you have to have at least one competitor, and you can't team up with other companies to control the price of an item. This system helps to keep prices in line.

THE MERCANTILE SYSTEM: In the mercantile system, what you can charge for goods and where you can sell goods is controlled by the government. It's a take it or leave it system that benefits the government but does not necessarily benefit you. You have no choice and no say in what you can charge or what you must pay for goods or where you can ship or how you ship. The entire system of trade is controlled by the government.

Mercantilism started in the Middle Ages in Europe with the rise of towns and guilds. Guilds set the price, and everyone who made that item, such a sword, had to charge the same amount. This system was carried to the colonies.

For a while, England controlled all trade in the colonies. The government in England decided what colonists would be paid for the goods they grew or made, and England decided where goods would be shipped. England also decided what goods were shipped to the colonies and how much those goods would cost when they got there. The colonists had no say.

The government in England benefited greatly. Merchants and farmers in the colonies did not.

The mercantile system and the cruel and unfair laws passed by England to continue their control of trade in the colonies is why some colonists revolted against English rule, and helped to start the Revolutionary War. After the war, when England was no longer in charge in the colonies, the mercantile system was replaced with capitalism or free trade, a system we use today for goods transported into the United States that consumers can buy (imports) and out of the United States that owners can sell (exports).

The different between mercantilism and free trade has everything to do with who controls the price and the destination of both imports and exports. In free trade or capitalism, control is mostly in the hands of the trader. In mercantilism, control is totally in the hands of the government.

Directions: Which is the best analogy for mercantilism? Check the box that best represents mercantilism and explain your answer in the space below. How does this reflect British and colonial economic relations?

- Your mother tells you that you must give her your cows and buy the milk your cows produce from her.
- You get the milk and give it all to Grandma (mother-country), and Grandma doesn't give you anything in return.
- You sell them to the mother country and get a portion of the milk back.
- You trade both cows with the mother country and the mother country gives you a bull.
- You have two cows. Trade their milk for chicken, trade the eggs for sheep, keep the wool to make clothes and then trade the clothes.
- You have two cows you trade one for a bull, they have a calf. You give the cow's milk and calf to the mother country.
- We would give all of the milk to the mother country, and then the mother country would sell the milk and their dairy products for profit.
- You have two cows, both produce milk you sell the milk to the mother country and the mother country sells it to everyone else.
- You have two cows, you sell the milk to the grocery store, and they sell you back the cheese for twice the amount of money.
- Your mother country takes both cows, then only allows you to buy their milk.
- You give all the milk to the Mother Country and they sell it back to you for more.
- I milk them so i can have others to make milk and other dairy products. I sell half of that and the other half goes to my baker. He sells his goods and I take a percentage of the profits. All of the profits that i made goes back to my mother country.

Explain your choice using what you know of mercantilism and the British colonies in the space below.

What were the Navigation Acts?

Now read about the Navigation Acts under "Regulating Trade" on page 106 in your textbook.

1. In your own words, describe what the Navigation Acts were and how they related to mercantilism.

2. Why did many colonists resent the Navigation Acts?