Chapter 4
British Mercantilism and the Cost of Empire

Three hundred years ago, nations wanted colonies in order to increase their power. According to the economic thinkers of those days, colonies would help the mother country become self-sufficient and wealthy. No great nation could exist without colonies. This was the idea behind mercantilism, a forerunner of the present day idea of imperialism.

England, Spain, France, and other nations competed with each other to own colonies in North America, South America, Asia, and Africa. Their competition often led to wars. The mercantilists reasoned that even wars were worth the price, because each colony would be a help to its conqueror. England needed raw materials that her colonies could supply. Lumber, wool, iron, cotton, tobacco, rice, and indigo were among the products needed in England. British manufacturers in the meantime needed markets for the goods they produced. The American colonies bought their cloth, furniture, knives, guns, and kitchen utensils from England. In addition, England's survival as a nation depended on her navy, and the colonies were a constant source of both the timber for her ships and the men who could sail them. Since each nation's wealth in those days was measured in the amounts of gold and silver it possessed, England had yet a another reason for establishing and ruling a vast colonial empire: the colonists would supply their British masters with gold and silver simply by selling their raw materials and buying England's manufactured products. The difference between what the colonists could pay through their sales of raw materials, and what they owed because of the purchase of manufactured goods, is called the *balance of trade.* Since the colonists bought more than they sold, their balance of trade was said to be unfavorable. The difference would have to be made up in such precious metals as gold and silver. By thus supplying Britain with this gold and silver, to make up for their unfavorable balance of trade, the American colonists were fulfilling the British mercantilists' fondest dreams.

England was not content with allowing trade to develop in whatever manner their colonies found convenient or best for their own interests. Instead, England passed special laws to govern the flow of goods across the Atlantic. England placed restrictions on colonial exports, imports, and manufacturing. At the same time, she encouraged the production of certain naval products in the colonies, and permitted American as well as British ships to transport goods between mother England and colonial America. These laws, of course, irritated the colonists who were adversely affected by them. But, whether the colonists were seriously hurt by these laws is an open question which the reader is invited to explore. The question is important because, in this economic relation between crown and colony, one may find the real causes of the American Revolution.

Enumerated Goods—Restrictions on Exports

When the first Englishmen settled in Jamestown, Virginia, and in Plymouth, Massachusetts, England did little to direct their trade. As the colonies grew more prosperous, however, England began to enforce her mercantile ideas. A series of laws were passed in the 1660s known as the **Navigation Acts**. They were designed to make the American colonies dependent on the manufactured products of England. The colonists, of course, were expected to buy more from England than they sold to her and pay the difference in gold and silver. Therefore, the British forbade all non-English ships from trading with the colonies. Because ships made in the colonies were considered British, they too were restricted to trade between homeland and mother country.

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In addition to these regulations, England also *enumerated*, or listed, special products that could be sold only to British merchants. Included in this list of enumerated goods were products most generally considered essential to England's wealth and power: sugar, tobacco, cotton, indigo, and later rice, molasses, naval stores (tar, pitch, etc.), furs and iron. English merchants were allowed to sell these goods to whomever they chose as long as they were first taken to England or Scotland where a tariff would be charged. Thus, if a Virginian planter wished to sell his tobacco, he could only sell it to an English merchant. The Englishman then had to take it to England, pay taxes on it there, and only then could he sell the tobacco in France or any other country.

Staples Act: Restrictions on Imports

In 1663 Parliament passed the Staples Act, which forbade the colonists from buying any products grown or manufactured in Africa, Europe, or Asia. Unlike the enumerated list of export restrictions, the Staples Act prohibited the importing of almost every article that was either not produced in England or was not shipped there first. Thus, if a colonist wished to buy French silks, Dutch linens, or Indian tea, he would buy these goods from an English importer. The Englishman in this example would have bought these goods from France, India, or Holland. Neither the Englishman nor the colonial merchant was allowed to bring these products directly to the colonies. Instead, all had to pay for the added expense and inconvenience of all non-English products taking a far longer route to the colonies which included the loading and unloading, storing, and taxing of all the goods involved. The exceptions to the provisions of this bothersome Staples Act, like wine from the Madeira Islands, were few and relatively unimportant.

Restrictions on Manufacturing

According to mercantile theory, colonies were to supply their mother nation with raw materials and buy their manufactured goods. Therefore, colonies should not have been encouraged to develop their own industries. England, however, made few attempts to restrict colonial manufacturing. She merely prevented the colonists from shipping certain products from one colony to another. For example, colonists were not permitted to sell either wooden goods or beaver hats to other colonies. After 1750, a far more serious restriction was placed on the manufacturer of such iron goods as rifles, axes, and pots.

Bounties

Not all aspects of mercantilism were bad for the colonies. Since England needed certain products to maintain her navy, she offered special payments to producers of naval stores. Thus, bounties were paid for tar, pitch, resin, turpentine, hemp, lumber, and indigo. Between 1761 and 1776, these special bounties cost England £120,000.

The Effects of Mercantile Laws on the Colonies

England's mercantile laws certainly made life more difficult for the colonists. "A colonist cannot make button, horseshoe, nor a hob nail," one outspoken Bostonian complained, "but some sooty iron-manufacturer or respectable button maker of Britain shall bawl…that he is most terribly cheated and robbed by the rascally Americans." Nevertheless, the best way to examine just how seriously the colonial laws hurt the colonies, we need to take a careful look at the each of the three major groupings of colonies, New England, Middle, and Southern.

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The New England Colonies Under Mercantilism

Because of the difficulty of earning a living from the rocky soil found in New England, the Puritans of Connecticut, Massachusetts, and the surrounding states lived by their wits. They learned to build ships that carried about one-third of all the trade between England and her colonies. They founded a thriving fishing industry, and manufactured shoes, candles, coaches, and leather goods. These they sold in Europe with no interference from England. Their famous triangle trade with Africa and the West Indies was also carried out without British restrictions. Rum was manufactured from molasses in the Rhode Island distilleries and taken to Africa where it was bartered for slaves. The slaves were then taken to the West Indies and exchanged for molasses, gold, and silver. These precious metals allowed the New England merchants to make up for their unfavorable trade balance with England. The molasses was made into rum and the brutal triangle trade was continued. Where their trade was hindered by British regulations, the resourceful New Englanders simply resorted to smuggling illegal cargoes under the noses of British officials. Because England more or less winked at this lawbreaking, Boston quickly became the Empire's largest single port outside of Great Britain itself.

The Middle Colonies Under Mercantilism

Mercantile restrictions hardly interfered with the economy of the Middle colonies, which included New York, New Jersey, Delaware, and Pennsylvania. Flour, cereals, and lumber, their main articles of trade with Europe, never appeared on the list of enumerated items. Only the Molasses Act of 1733, which placed a tax on that item, could have hurt the economy of the Middle colonies. But they, like their neighbors in the North, generally avoided paying this tax. However, a small but thriving iron industry in Pennsylvania was hurt by the Iron Act of 1750, which prohibited the export of iron ware.

The Southern Colonies Under Mercantilism

The Southern colonies were England's prize possessions. Unlike their brothers in New England, Southerners never developed industries that competed with Great Britain. Instead, they produced such staples as rice, tobacco, cotton, naval stores, and indigo for British consumption. The planters in Maryland and Virginia in particular were hurt by the enumeration of tobacco. Of 96,000 hogsheads of tobacco sent each year to England from these colonies, 82,000 were re-shipped to Europe. The yearly cost in extra duties and labor amounted to £185,000. Meanwhile, the South's dependence on British manufacturers put it at a severe trade disadvantage. To escape this dependency on British merchants, some planters like George Washington began planting wheat rather than tobacco. Another Virginian considered himself a 'piece of property attached to certain banking houses in London.' The planters blamed their constant debt to British money lenders on mercantile policies. Eighty years after the Revolution, however, they found themselves similarly in debt to Northern bankers, and this time blamed their condition on the government in Washington rather than the one in London.

Conclusion

A final evaluation of the effects of British mercantilism on her American colonies must take into consideration the benefits of living in the British Empire, as well as the costs. The benefits included first and foremost the protection given colonial ships that sailed the world under the British flag, and the protection received from her mighty army. Secondly, the benefits can be measured by the bounties paid for producing necessary products. Against these assurances, the colonists need to weigh the added cost of

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all her imports resulting from the Staples Act even though consistent smuggling certainly reduced this price. Finally, the colonists would need to assess the restrictions on their exports, either under the enumerated list, or under the laws regulating export of iron, beaver hats, and woolen goods. A careful analysis of all these factors could provide some tentative answers and also help in judging the role these economic issues played in causing the American Revolution.

Suggested Student Exercises:

1. Define or identify and briefly showing the importance to the chapter of each of the following:

a. mercantilism	e. 4 kinds of mercantile laws	i. 3 kinds of colonies
b. exports & imports	f. Navigation Acts	j. triangular trade
c. favorable balance of trade	g. enumerated goods	k. smuggling
d. balance of payments	h. "British ships"	l. benefits of being British subjects

2. Using the following list (on the next page), giving the value of exports to and imports from England, complete the three exercises below:

a. Give the balance of trade in 1710, 1740, and 1770.

b. Give the value of exports in current dollars (assuming (1£ = $200 for those years).

c. Construct a bar graph, using the sample sheet on last page of this chapter, showing trends in exports, imports, or trade balances between 1700 and 1774. The chart should be judged on accuracy, neatness, and information provided. (Note: a trend is a movement in a certain direction).

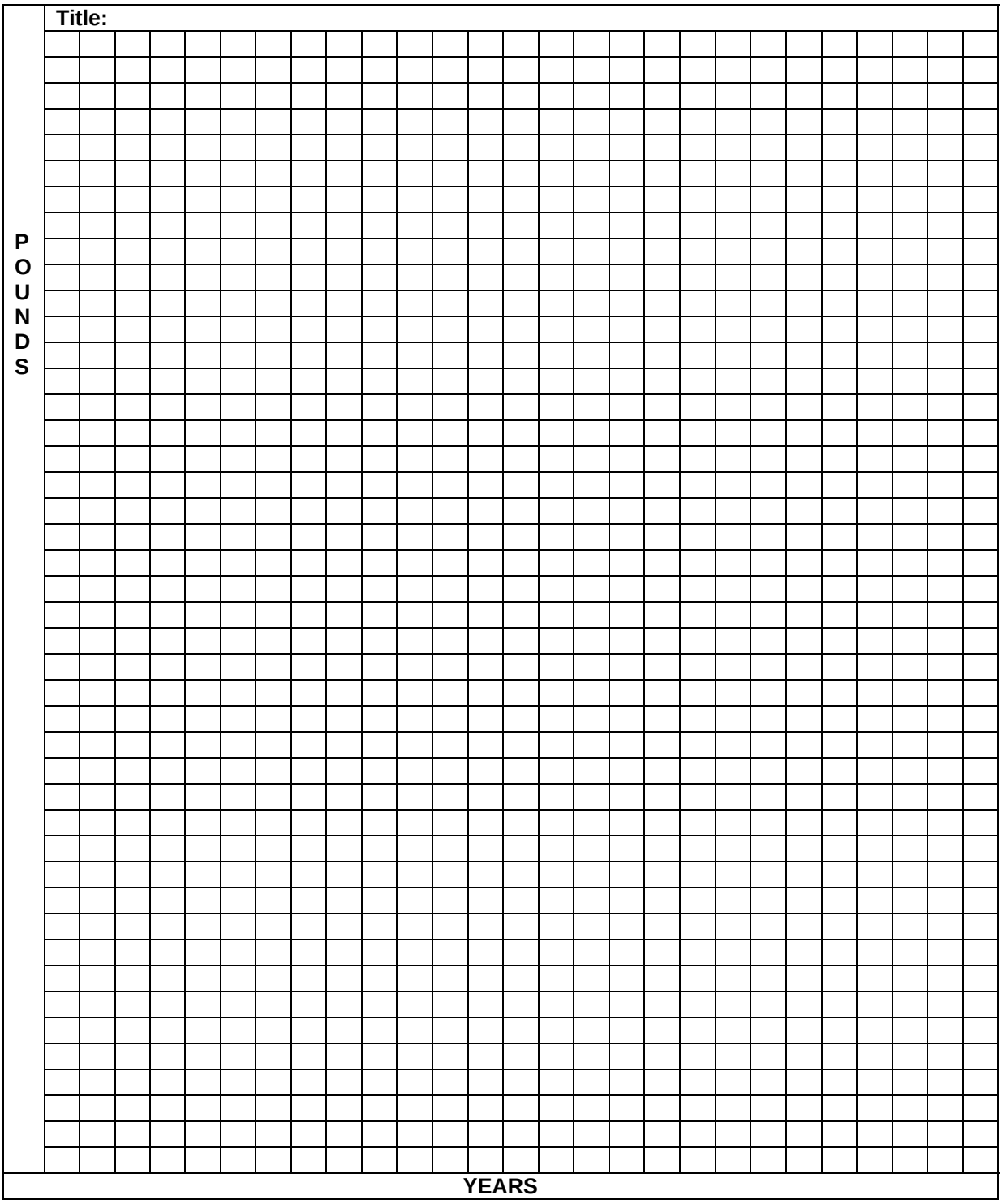
To make a good bar graph

1. Study statistics to find a trend	3. Label axis	5. Complete bars
2. Make a scale of measurement	4. Locate points	6. Label & title

Value of Exports to England and Imports from England

YEAR	EXPORTS	IMPORTS	BALANCE OF TRADE
1700	£395.000*	£344,300	+ £54,700
1710	£249,800	£293,700	
1720	£468,200	£319,700	
1730	£572,600	£536,900	+ £5,700
1740	£718,400	£813,400	
1750	£814,800	£1,313,100	
1760	£761,100	£2,611,800	– £1,850,700
1770	£1,015,500	£1,925,600	
1774	£1,373,846	£2,596	

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