

# Handout B: Mercantilism Background

## Background:

Mercantilism was an economic system used by European states in the seventeenth and eighteenth centuries. Mercantilists believed that the economic health or wealth of a nation was measured by the amount of bullion (i.e., precious metal like gold or silver) that it possessed. As European nations began to improve their economies, they established colonies throughout the world with the objective to support the economy of the mother country. Colonies were established for the benefit of the mother country. Self-sufficiency was a major goal of mercantilism: The colonies provided the raw materials needed and served as markets for the finished products from the mother country. This way, bullion would not flow out of the empire to rival countries. Because manufactured goods were more expensive than the raw materials, this created a positive balance of trade for the mother country. Mercantilism held that exports should be encouraged and imports discouraged. To distribute and collect products throughout the empire, the mother country required a strong fleet of merchant ships. Circa 1750, the American colonies were seen as more valuable as consumers of British goods than as sources of raw materials. Purchasing English goods was a major contribution to the British economy, which made boycotts of the prerevolutionary era effective.

The British, in part, advanced mercantilism in the North American colonies through policies such as the Navigation Acts, though for most of the decades before the end of the French and Indian War, these acts were only haphazardly enforced. Colonists grew used to this “salutary neglect” and, if needed, got around restrictions by smuggling. British attempts to enforce mercantilist policies such as the Navigation Acts in the colonies after the French and Indian War contributed to the division between the two that led to the American Revolution.

## Questions:

1. List four key principles of mercantilism.

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2. What event marked a turning point in the colonists’ relationship with Britain regarding the enforcement of mercantilist policies?

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