

The Game of Mercantilism

As a result of the Age of Exploration, trade grew between Europe and other parts of the world. Ships from Portugal, Spain, France, England, and the Netherlands sailed to Africa, Asia, and the Americas. They returned with goods that were in great demand among Europeans.

The leading countries of Europe soon found themselves competing for control of world trade routes. Trade meant money and money meant power. A system called “mercantilism” developed in which kings tried to increase their country’s exports while decreasing imports. Exports were goods sold to other countries. Imports were goods bought from other countries. If a king could export (sell) more than he had to import (buy), he would be money ahead (making money).

Besides controlling trade, the king’s mercantilist policies included control of farming and manufacturing in his own country. If production at home could be increased, there would be less need for imports and greater opportunities for exports. European rulers encouraged the organization of joint-stock companies and collected a percentage of company profits. Kings also supported the establishment of trading posts where valuable products were gathered together and sent back to the home country. Plantations were started which used slave labor to grow such cash crops as sugar, coffee, and tobacco.

Explorers from Portugal, Spain, France, England, and the Netherlands sailed the Atlantic and Indian oceans and claimed lands where colonies eventually grew up. Using the system of mercantilism, kings insisted that their colonies sell goods and raw materials only to the mother country. In addition, colonists were required to buy products only from the mother country. The English Colonies in America, for instance, had to sell raw materials like lumber to England at prices that were lower than what could be charged if sold to other European nations. The English Colonies were also forced to buy manufactured products only from England at whatever prices English merchants demanded. These policies by the mother country led to “smuggling,” a practice whereby colonists secretly bought cheaper goods from other nations.

During the period of mercantilism – 1500’s, 1600’s, and 1700’s – nations competed for trade routes and colonies. Pirates from one country sometimes attacked trading vessels of rival nations and stole valuable cargo. Spanish ships heavy with gold and silver were favorite targets. Wars occasionally broke out as empires rose and fell.

Kings believed that mercantilism was the way to power. If money flowed in the treasury, the king could afford a life of luxury. He could build a large navy to protect his colonies and trading interests. And since his own subjects could not be drafted, he could afford to hire “mercenaries” – paid soldiers from foreign lands – to fight his battles.