

MERCANTILISM

DURING THE AGE OF EXPLORATION

Directions: Read the following text related to mercantilism and complete the related activities.

The European empires of the sixteenth through the eighteenth centuries were empires that existed primarily to increase trade and the wealth of the European nations. During this time, powerful European nations such as Spain, Portugal, England and France participated in intense economic and exploration based rivalries. The Age of Exploration shows this rivalry in the massive colonies that each European nation amassed, as they competed with each other for territories in the New World. For example, see the maps below that show the height of the British and Spanish Empires and their colonial possessions.



At the foundation of these rivalries existed the economic system of mercantilism, which was the idea that colonies and trade should be strictly controlled to benefit the economy of the home (European) nation. These European nations believed that in order to ensure prosperity, the balance of trade must favor the home country: its exports must be higher than its imports. This caused captured territories, or colonies, to be viewed as a cheap source of raw materials. In particular, it was believed that a nation had to gain large amounts of gold and silver, and that a nation was only truly wealthy if it had more stored gold and silver than its rivals.

Under the mercantile system colonies existed to provide markets and natural resources for the industries of the home country. Laws often required a colony's raw materials to be shipped to the home country. Colonial merchants and entrepreneurs were not allowed to set up factories and use the colony's raw materials to manufacture goods, as all manufacturing would be carried



out in the European nations themselves. The products made in the European nations would then be shipped back to the colony and sold. As well, to keep their own colonial markets strong, governments often prohibited colonies from importing goods from other European countries. This limited competition and meant that people in colonies could buy only goods made in the home country.



As the 18th century went along, some people began to reject the principles of mercantilism. For example, in 1776 Scottish economist Adam Smith published a written work called "An Inquiry into the Nature and Causes of the Wealth of Nations" which is just often shortened to "Wealth of Nations". The book challenged the idea that the government should control the economy and instead proposed the idea of free trade and competition with a lesser role of the government. The ideas of this book would eventually lay the foundation for the principles of capitalism, which is an economic system that supports the idea of free trade and choice as a way of achieving prosperity.

Name:

Date:

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1. According to the reading, what four European nations competed in intense economic and exploration based rivalries?
2. Explain how competition for land (or colonies) in the New World was an economic competition between the European nations?
3. Write a definition for Mercantilism in your own words.
4. Draw a diagram in the space below that shows how mercantilism worked?
5. Using a print or online dictionary define the term export.
6. Using a print or online dictionary define the term import.
7. Explain why the European nations wanted to maximize their exports and minimize their imports under a mercantile system.
8. Who benefited under a mercantile system? Who did not benefit? Explain.
9. Look at the cartoon to the right. What is the message of this cartoon? Explain your answer.



10. Who was Adam Smith and What did he do?