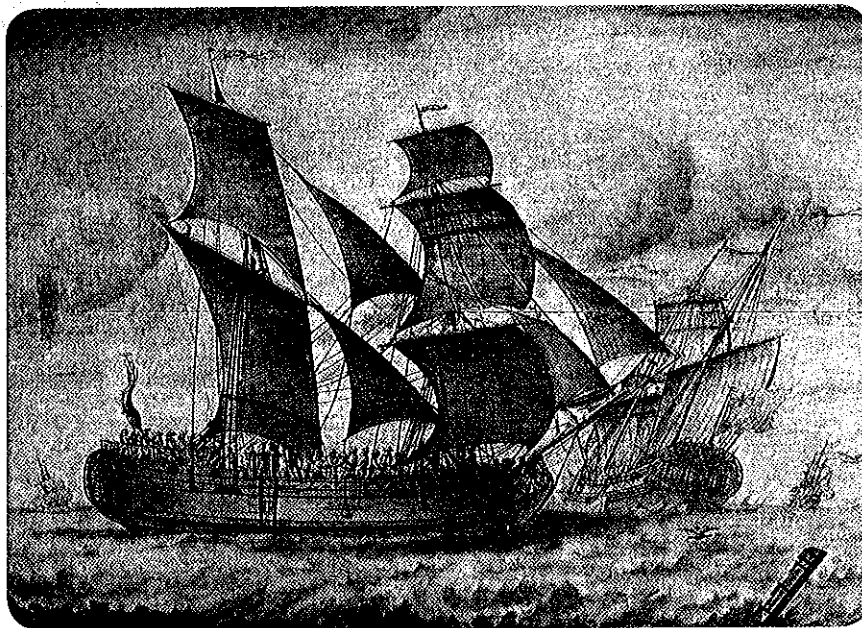
Mercantilism and Colonial Commerce

FOR more than two centuries, the economic life of Europe and its growing colonial possessions (the North American colonies among them) was shaped by a theory known as mercantilism. The actual application of mercantilism differed from country to country and empire to empire. But virtually all versions of mercantilism shared a belief in the economic importance of colonies to the health of the colonizing nations. As a result, mercantilism helped spur the growth of European empires around the world.

In one sense, mercantilism was a highly nationalist, as opposed to a global, theory. It rested on the conviction that the nation (not the individual) was at the center of economic life and that each nation should work to maximize its own share of the finite wealth for which all nations were competing. A gain for France, mercantilism taught, was in effect a loss for Britain or Spain. Thus, it encouraged each nation to work for itself and to attempt to weaken its rivals. But mercantilism was also a global force. What made it so was not the modern notion of the value of international economic growth but, rather, the belief that each nation must search for its own sources of trade and raw materials around the world. Every European state was trying to find markets for its exports, which would bring wealth into the nation, while trying to limit imports, which would transfer wealth to others. (Most of these central mercantilist tenets would eventually be overturned in Adam Smith's 1776 tract *The Wealth of Nations*, which instead advocated free trade among nations and individual self-interest over national largesse as the route to increasing global—and thus national—wealth.)



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In a mercantilist economy, colonies were critical to a nation's economic well-being. They served both as providers of raw materials and as markets for finished goods. Colonies, mercantilism taught, should trade only with their mother nation, and the direction of wealth should flow only in one direction, toward the center of the empire. Naval power became an integral part of the mercantilist idea. Only by controlling the sea lanes between the colonies and the homeland could a nation preserve its favorable balance of trade.

Despite the common assumptions underlying all forms of mercantilism, the system took many different forms, often depending on whether colonial merchants or state bureaucrats drove the economic discussion. In England, Spain, and the Netherlands, mercantilism was closely identified with the emerging middle class, who stood to profit personally from the increased trade. (Hence the term "mercantilism," from merchant.) In France and Germany, on the other hand, state officials rather than private citizens laid more of the groundwork for mercantilism principles. In France, mercantilism was often known as "Colbertism," after its primary proponent, Jean-Baptiste Colbert, foreign minister under Louis XIV. In Germany, the theory was known as "cameralism," for the *Kammer*, or royal treasury.

In its early years, mercantilism was closely associated with "bullionism," which is the theory that only gold and silver defined a nation's wealth. As

one of the strongest political authorities throughout western Europe. Luther, an Augustinian monk and ordained priest, challenged the Catholic belief that salvation could be achieved through good works or through loyalty (or payments) to the Church itself. He denied the Church's claim that God communicated to the world through the pope and the clergy. The Bible, not the church, was the authentic voice of God, Luther claimed, and salvation was to be found not through "works" or through the formal practice of religion, but through faith alone. Luther's challenge quickly won him a wide following among ordinary men and women in northern Europe. He himself insisted that he was not revolting against the Church, that his purpose was to reform it from within. But when the pope excommunicated him in 1520, Luther defied him and began to lead his followers out of the Catholic Church entirely. A schism within European Christianity had begun that was never to be healed. As the spirit of the Reformation spread rapidly throughout Europe, creating intellectual ferment and (in some places)

such, the early Spanish colonies of the New World, in particular, emphasized the procurement of gold, silver, and other precious metals for the mother nation. (English colonies such as Jamestown were founded in part with the same intention, but they were much less successful at finding precious metals.) But even when gold and silver were scarce, colonies could still provide other important resources for the imperial capitals—for examples, fur, timber, sugar, tobacco, and slaves.

The theory of mercantilism taught that wealth creation was a zero-sum game: there was a fixed amount of wealth in the world, and any wealth a nation acquired was, in effect, taken away from some other nation. As a result, mercantilists believed that nations should heavily regulate the economic affairs of their colonies. One good example of this was England's passage of the Navigation Acts in the 1760s, laws that sharply restricted colonial trade with anyone else but England. But England was not alone in passing such restrictions. Spain took equally definitive control over its colonial economies, passing similarly intensive regulation and insisting until 1720 that all colonial trade pass through the port of Seville.

Still, naval vessels could not be everywhere at once. And despite the many laws restricting colonial economies to their home nations, many colonial merchants around the world struck up trade with their nonaffiliated neighbors when possible. The French, Spanish, and Dutch West Indies in particular became the site of a thriving intercolonial trade that was not, for all intent and purposes, legal according to mercantilist doctrine. Indeed, so many traders from so many countries violated mercantile laws in the eighteenth century, and so many of them amassed great profits in the process, the mercantilist system gradually began to unravel. By the time of the American Revolution, in part a result of the colonists' resistance to mercantilist policies, the patterns of global trade were already moving toward the freer, less-regulated trading patterns of the modern capitalist world. •

UNDERSTAND, ANALYZE, AND EVALUATE

1. What effect did mercantilism have on colonial economies? Did the effects differ according to which European nation owned the colony?
2. How did mercantilism contribute to power rivalries among the European nations?
3. Mercantilism as a nation's driving economic force has largely given way to economic globalization, that is, the increased interdependence of nations' economies. Why do you think this is so?

war, other dissidents began offering alternatives to orthodox Catholicism. The French theologian John Calvin was, after Luther, the most influential reformer and went even further than Luther had in rejecting the Catholic belief that human institutions could affect an individual's prospects for salvation. Calvin introduced the doctrine of predestination. God "elected" some people to be saved and condemned others to damnation; each person's destiny was determined before birth, and no one could change that predetermined fate. But while individuals could not alter their destinies, they could strive to know them. Calvinists believed that the way people led their lives might reveal to them their chances of salvation. A wicked or useless existence would be a sign of damnation; saintliness, diligence, and success could be signs of grace. Calvinism created anxieties among its followers, to be sure; but it also produced a strong incentive to lead virtuous, productive lives. The new creed spread rapidly throughout northern Europe and produced (among other groups) the Huguenots in France and the Puritans in England.

DOCTRINE OF PREDESTINATION

The English Reformation was very different. It occurred more because of a political dispute between the king and the pope than as a result of doctrinal revolts. In 1529 King Henry VIII became angered by the pope's refusal to grant him a divorce from his Spanish wife (who had failed to bear him the son he desperately wanted). In response, he broke England's ties with the Catholic Church and established himself as the head of the Christian faith in his country. He made relatively few other changes in English Christianity, however, and after his death the survival of Protestantism remained in doubt for a time. When Henry's Catholic daughter Mary ascended the throne, she quickly restored England's allegiance to Rome and harshly persecuted those who refused to return to the Catholic fold. Many Protestants were executed (the origin of the queen's enduring nickname, "Bloody Mary"); others fled to the European continent, where they came into contact with the most radical ideas of the Reformation. Mary died in 1558, and her half-sister, Elizabeth, became England's sovereign. Elizabeth once again severed the nation's connection with the Catholic Church (and, along with it, an alliance with Spain that Mary had forged).

THE ENGLISH REFORMATION

The Church of England, as the official religion was now known, satisfied the political objectives of the queen, but it failed to satisfy the religious desires of many English Christians. Catholics continued to assert allegiance to the pope. More importantly, many Protestants believed that the "reformation" did not create enough changes in theology. The most ardent Protestants became known as "Puritans," because they hoped to "purify" the church.

Some Puritans took genuinely radical positions. They were known as Separatists, and they were determined to worship as they pleased in their own independent congregations. That flew in the face of English law—which outlawed unauthorized religious meetings, required all subjects to attend regular Anglican services, and levied taxes to support the established church. The radicalism of the Separatists was visible in their rejection of prevailing assumptions about the proper religious roles of women. Many Separatist sects, perhaps most prominently the Quakers, permitted women to serve as preachers, which would have been impossible in the established church.

PURITAN SEPARATISTS

Most Puritans resisted separatism. Still, their demands were by no means modest. They wanted to simplify Anglican forms of worship. They wanted to reduce the power of the