

Mercantilism and Colonies

According to the theory of mercantilism, governments wanted to add gold and silver to their treasuries. To get that gold and silver, they hoped to export to other countries goods that were worth more than the products they imported. Those countries would then have to pay them the difference in gold or silver.

A country's economic success under mercantilism depended on the relationship with its colonies. The colonies were needed to produce crops that companies in the home country could sell for a profit. They were also expected to provide raw materials that could be used by manufacturing companies in the home country. Once those products were manufactured, the colonies were then supposed to provide markets to sell them.

In some cases, colonies could provide the home country with gold and silver. For example, Spain established colonies in Mexico and South America because of the gold and silver available in those areas.

These were some of the reasons that colonies were desirable to a country in theory. In actual practice, however, colonies had both benefits and costs. These advantages and disadvantages are shown in the chart below.

ACTIVITY

Suppose you were in charge of the government of a country that had colonies. How would you prevent people in your colonies from trading with other countries? In the space provided, write your ideas and how you think the colonists would react to them.

Benefits and Costs of Mercantilism	
Benefits	Costs
+ The colony might have gold or silver that could be added directly to the home country's treasury.	– Gold or silver might be costly to obtain and could be captured during transport.
+ The colony could grow food to feed people in the home country or to be traded at a profit to other countries.	– Money was needed to fund armies to protect colonists from native peoples and to prevent other countries from taking control of the colonies.
+ The colony could supply raw materials useful to home-country manufacturers.	– Colonists might begin their own manufacturing companies and compete with home country companies.
+ Colonists would buy manufactured goods produced in the home country.	– Colonists might ship goods to or buy goods from other countries.
+ By controlling all shipping to and from the colony, the home country could increase the number and skill of its sailors, who would strengthen the country's navy in the event of war.	– If the manufactured goods colonists bought cost more than the food and raw materials they produced, they would not be able to pay for them.