

Mercantilism

Between 1600 and 1800 most of the states of Western Europe were heavily influenced by a policy usually known as mercantilism. This was essentially an effort to achieve economic unity and political control. No general definition of mercantilism is entirely satisfactory, but it may be thought of as a collection of policies designed to keep the state prosperous by economic regulation. These policies may or may not have been applied simultaneously at any given time or place.

I. Definition of Mercantilism

The following ideas, then, lumped together, may be called mercantilism.

(1) Bullionism was the belief that the economic health of a nation could be measured by the amount of precious metal, gold, or silver, which it possessed. The rise of a money economy, the stimulation produced by the influx of bullion from America, the fact that taxes were collected in money, all seemed to support the view that hard money was the source of prosperity, prestige, and strength.

(2) Bullionism dictated a favorable balance of trade. That is, for a nation to have gold on hand at the end of the year, it must export more than it imports. Exports were later defined to include money spent on freight, or insurance, or travel.

(3) Each nation tried to achieve economic self-sufficiency. Those who founded new industries should be rewarded by the state.

(4) Thriving agriculture should be carefully encouraged. Domestic production not only precluded imports of food, but farmers also provided a base for taxation.

(5) Regulated commerce could produce a favorable balance of trade. In general, tariffs should be high on imported manufactured goods and low on imported raw material.

(6) Sea power was necessary to control foreign markets. A powerful merchant

fleet would obviate the necessity of using the ships of another nation and becoming dependent on foreign assistance. In addition, a fleet in being could add to a nation's prestige and military power.

(7) Colonies could provide captive markets for manufactured goods and sources of raw material.

(8) A large population was needed to provide a domestic labor force to people colonies.

(9) Luxury items were to be avoided because they took money out of the economy unnecessarily.

(10) state action was needed to regulate and enforce the above policies. One might add that there was nothing logical or consistent about mercantilism, and that it displayed, in fact, enormous variation.

II. Various Applications of Mercantilism

Spain exercised rigid control of her empire's commerce and industry. England also tried to do so. Mercantilist policies adopted during the reign of Elizabeth were continued in the seventeenth century under the Stuarts and Oliver Cromwell. Elizabethan laws were passed to discourage idleness, to reward industrial enterprise with monopolies, and to control the commerce by means of Navigation Acts. Elizabeth gave her justices of the peace the authority to fix prices, regulate hours, and compel every able-bodied subject to work at some useful trade.

German mercantilism was concerned primarily with increasing the economic power of the state by internal regulation. It heralded later attempts at economic nationalism and a planned society. Because they aimed primarily at increasing national revenue, German mercantilists were known as cameralists, from Kammer, the royal treasury.

France displayed perhaps the most thoroughgoing mercantilism. Jean Baptiste Colbert, chief minister of Louis XIV from 1661 to 1683, was a great exponent of economic regulation. However, Colbert was a practical politician intent on the welfare of the middle class to which he belonged, not a doctrinaire theorist; for him mercantilism was the most convenient method of attaining his end. He prohibited the export of money, levied high tariffs on foreign manufactures, and gave liberal bounties to encourage French shipping. He purchased

Martinique and Guadeloupe in the West Indies, encouraged settlement in Santo Domingo, Canada, and Louisiana, and established trading "factories" (armed commercial posts) in India and Africa.

Colbert also tried to make certain that French manufacturers purchased raw materials from French or French colonial sources only, and provided France with a merchant marine of nearly three hundred vessels. He sought to promote the rapid growth of population by discouraging young people from taking holy orders, and made families of ten or more children exempt from taxation. One can notice the striking similarity of such comprehensive control to latter-day fascism. Both the mercantilist and the fascist would chain the economic system to national power. Both make a fetish of self-sufficiency. One outstanding difference was that the fascists rejected the bullionist theory of wealth often espoused by the mercantilists.

III. England versus Spain

England was late in joining the competition for Asian trade, but England also reached out. In the New World England and Spain were bound to come in conflict. England had participated little in the process of exploration yet insisted that its occupation provided a legitimate claim to title. Of course, Spain claimed that discovery provided the claim to title. The Spanish not only desired to monopolize the trade of their colonies, but they also wished to prevent the English from establishing a foothold which would constitute a base for penetration of Spanish territory. Generally speaking, the English disliked the Spanish. Had not Spain tried to deprive Elizabeth of her crown, overthrow the English Church, and extinguish English trade?

All the seamen of western Europe were familiar with the Spanish traffic between Europe, Africa, and America. In the 1530's English seamen began to prey upon Spanish vessels. By 1560 the exploits of Sir John Hawkins were notorious. "Sea dogs" such as Hawkins, mostly from Devonshire, operating out of Plymouth, plundered the Spanish galleons laden with precious metal as they returned from the New World.

Perhaps the most colorful of these buccaneers was Hawkins' kinsman, Francis Drake, Drake set out from England in 1577 with secret backing from Queen Elizabeth. He sailed through the Strait of Magellan in 1578 and up the west coast of North America, plundering Spanish settlements on the way. Not finding a Northwest Passage, he struck out across the Pacific, sailed to the Spice Islands, around the Cape of Good Hope, and back to England, where

Elizabeth dubbed him Sir Francis Drake. The treasure he brought back netted 263,000 pounds sterling to the queen, and a profit of over four thousand percent to other investors.

The Secret of English success was seamanship. The Spanish conceived of a naval battle as a contest of armies on floating platforms. When Philip II decided to put an end to English depredations by means of the Spanish Armada, he put a soldier in charge. As Philip II prepared to invade England, English "sea dogs" harried Spanish shipping. Drake singed the beard of the Spanish king by sailing boldly into Cadiz Harbor and destroying a number of great ships. Still in May 1588 the Armada was ready and sailed from Lisbon. It is true that weather was against the Spanish, but seamanship and maneuverability saved England, not the winds.

The Spanish Armada has taken on some of the qualities of a myth. It did not mark the decline of the Spanish Empire and the rise of the British; that happened much later. Nor did the defeat give England command of the sea; English sea power in the Atlantic had usually been superior to the combined strength of Castile and Portugal, and so it continued to be. Drake and Hawkins had dreamed of bringing King Philip to his knees by cutting off his revenue from the New world, yet more American treasure reached Spain in the fifteen years after the Armada than in any other comparable period. Some historians have thought that the defeat of the Armada decided that the Counter Reformation was not to triumph throughout Europe, but it seems likely that even had the Spaniards won, the religious picture would not have been much different. As the Thirty Years' War was to demonstrate, religious unity could not be reimposed by force on the children of medieval Christianity.

IV. The Spanish in America

The first territorial empires of Europe appeared in the New World, and American Indians could hardly resist European encroachment. True, there was chronic conflict along frontiers, but as the frontier advanced, the less technologically-equipped society had to retreat. European colonies planted in America tended to duplicate the society of the metropolitan powers. Things were somewhat different in Asia. There a handful of Europeans dominated native populations in colonies designed to exploit trade and agriculture, not to reproduce European society overseas.

The Spanish in America are a good example of how mercantilism worked itself out in the colonial empires. The Spanish attention was riveted on the New

World because of the gold and silver wrested from the Aztecs and the Incas. After the initial exploitation of the mines of Mexico and Peru, land became an equally great lure. The ambition was to duplicate the great estates of the Castilian nobility. Where the geography was favorable to stock-raising or agriculture and there was an indigenous peasantry, a colonial society arose, dominated by Spanish-born overlords called peninsulares. This society was based on a native working class, as there was no Spanish working class in America.

The Spanish Empire in America in 1600 was divided into the governing units of New Spain and Peru. New Spain included the mainland north of the Isthmus of Panama, the West Indies, and what is now Venezuela. The viceroyalty of Peru included all territory south of New Spain except Brazil and the Venezuela area. Governing each colony was a viceroy, who was a personal agent of the crown and thus responsible only to the crown.

The chief administrative body for colonial affairs was the Council of the Indies. Its commercial counterpart was the Casa de Contratacion, a maritime council located in Seville, which licensed and administered all colonial trade, shipping and navigation, and ran the postal service. The Council of the Indies advised the crown on pending colonial legislation, handled all colonial correspondence, and served as an appellate court for decisions of the Casa de Contratacion. Staffed by lawyers, nobles, and old colonial hands, the council became the model for colonial offices of the nineteenth and twentieth centuries. It was powerful and informed, although it suffered from inflexibility and a tendency of becoming mired in red tape. One of the main weaknesses of this governing system was the attempt to resolve every matter by a special regulation.

Land in the colonies was organized into large feudal estates called encomiendas, grants which allowed the recipient to demand the labor of the natives as tribute to the crown. Actually, later kings came to dislike the encomienda system because it led to the abuse of the natives and gave more independence to the encomiendero than was desirable. Efforts to improve working conditions of Indians were made, but their abuse and enslavement continued. It was easy for the local gentry to keep them permanently in debt and to reduce them to little more than serfs. Agriculture prospered as the Spanish introduced many European plants and animals, although colonists were prohibited from raising olives, grapes, and hemp, which would have competed with Spanish produce.

In 1503 African Black slaves were first brought to the Caribbean and later were introduced to the mainland in 1510. Black slavery spread rapidly because the Indians collapsed physically when subjected to forced labor. The hardness of the Blacks may have been due to a natural immunity to malaria. In Mexico natives performed most of the hard labor. Only the South American highlands proved difficult for the Black; African slaves were used extensively in Cuba, Haiti, Puerto Rico, and elsewhere. The Spaniards did not participate directly in the slave trade. Instead, the king granted contracts known as the *asiento* which gave monopoly rights in the slave traffic to private traders. The monopoly ran from seven to ten years, and a tax was levied on each slave landed. Spanish vessels were used for transporting the slaves, but at one time or another the ships were Flemish, Genoese, Portuguese, Dutch, French, or English. The effect was to limit the number of slaves imported, to keep their price high, and to encourage slave smuggling.

The Spanish used three mercantilist devices to protect their commercial monopoly in the New World.

(1) They prohibited foreign ships from entering Spanish colonial ports, and no foreigner could send goods to the colonies or take gold bullion out of Spain in payment for goods sold to Spanish merchants without having a special license. Thus, the Spaniards gained the middleman's profit on all European goods going to their colonies, since such goods had to be funnelled through Spain.

(2) Theoretically, the colonies were designed to be economically complementary to Spain. Manufacturing was forbidden in certain colonies to keep the market open for imports. The economic health of the colony was always a secondary consideration.

(3) All colonial trade was channeled through a single port, first Seville until 1720, and then Cadiz. After 1765 this policy was relaxed to allow trade by other Spanish ports.

Spain's mercantilist regulation was extreme almost to the point of absurdity. Smuggling could not be controlled, since it was in the interest of too many Spaniards on both sides of the Atlantic to participate in illicit trade. During the eighteenth century, the Spanish relaxed their colonial restrictions somewhat, not because they were converted from mercantilism, but because they realized that the old system was by then outmoded and unenforceable. By 1789 licensed ships could sail to most Spanish ports in America, and by the end of the century the *asiento* was abolished and slaves were imported freely.

Spanish colonial policy had obvious shortcomings. The interests of the colonists were sacrificed to those of the home country; the colonists had little to say in their own government; and the Indians were exploited without mercy. But one should remember that no colonial commercial system was liberal in the eighteenth century, and that in its ability to function, the Spanish Empire was more impressive than any other of its time. Spanish colonial society was more sophisticated than that produced abroad by either Britain or France. Spain was the leading colonial power as late as the eighteenth century, as Britain was to become after 1815.