

## Analyzing Key Concepts

### Mercantilism

Under the mercantilist system, the economy was strictly regulated by the government. This regulation extended to a country's colonies. For instance, Britain forbade American colonies to manufacture certain items. Later it required that all American ships pass through British ports on the way to their final destinations. This practice allowed Britain to collect a duty on American shipping.

#### SKILLBUILDER Answer

#### Identifying Problems and Solutions

by establishing a colony that could provide gold or a raw material that France could turn into a manufactured item and sell to other countries

### Tip for Struggling Readers

*Mercantilism* comes from the word *mercantile*, which refers to anything having to do with merchants.

## The Growth of Mercantilism

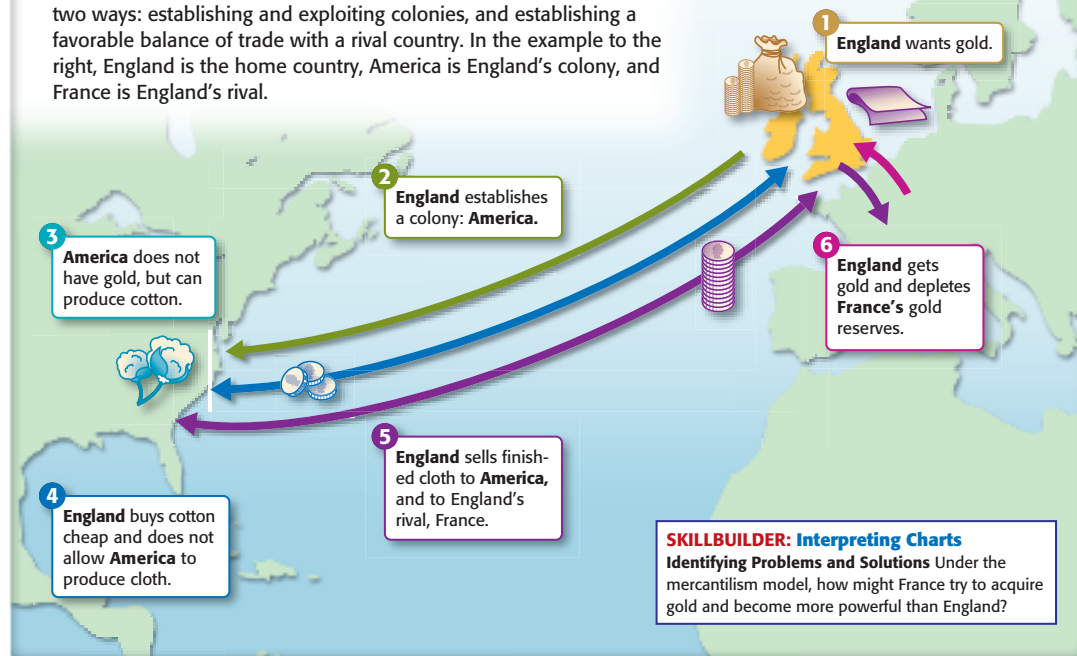
### Critical Thinking

- Why were strong navies important to European mercantilism?  
(Possible Answer: They protected ships engaged in trade or the transporting of wealth from colonies.)
- Why was self-sufficiency so important to a country practicing mercantilism? (It minimized the amount a country had to import, contributing to a favorable balance of trade.)

## Analyzing Key Concepts

### Mercantilism

As you have read, mercantilism was an economic theory practiced in Europe from the 16th to the 18th centuries. Economists of the period believed that a country's power came from its wealth. Thus, a country would do everything possible to acquire more gold, preferably at the expense of its rivals. A mercantilist country primarily sought gold in two ways: establishing and exploiting colonies, and establishing a favorable balance of trade with a rival country. In the example to the right, England is the home country, America is England's colony, and France is England's rival.



In Europe during the 1500s and 1600s, that common purpose was American colonization. It took large amounts of money to establish overseas colonies. Moreover, while profits may have been great, so were risks. Many ships, for instance, never completed the long and dangerous ocean voyage. Because joint-stock companies involved numerous investors, the individual members paid only a fraction of the total colonization cost. If the colony failed, investors lost only their small share. If the colony thrived, the investors shared in the profits. It was a joint-stock company that was responsible for establishing Jamestown, England's first North American colony.

### The Growth of Mercantilism

During this time, the nations of Europe adopted a new economic policy known as **mercantilism**. The theory of mercantilism (shown above) held that a country's power depended mainly on its wealth. Wealth, after all, allowed nations to build strong navies and purchase vital goods. As a result, the goal of every nation became the attainment of as much wealth as possible.

#### MAIN IDEA

#### Making Inferences

Why would a joint-stock company be popular with investors in overseas colonies?

B. Answer because they paid only a fraction of the total colonization cost

## DIFFERENTIATING INSTRUCTION: GIFTED AND TALENTED STUDENTS

### Principles of Mercantilism

**Class Time** 30 minutes

**Task** Researching and writing a newspaper op-ed piece

**Purpose** To understand the thinking of 17th-century mercantilists

**Instructions** Tell students that in addition to Thomas Mun, the British mercantilist quoted on page 575, other leading economic thinkers of the time included the Frenchman Jean-Baptiste Colbert and the Italian Antonio Serra. Ask individual students to research one of these three thinkers on the Internet or in encyclopedias or books. Ask the students to learn enough about their chosen person to be able to write a newspaper

editorial in that person's voice outlining the reasons mercantilism is good for their country.

Editorials should reflect an understanding of the basic principles of mercantilism, incorporate the ideas and style of that historical figure, and be well organized and persuasive.

Have students compare the ideas of the three thinkers to see how they all express a similar theory. Ask students if they see any significant differences.

**Balance of Trade** According to the theory of mercantilism, a nation could increase its wealth and power in two ways. First, it could obtain as much gold and silver as possible. Second, it could establish a **favorable balance of trade**, in which it sold more goods than it bought. A nation's ultimate goal under mercantilism was to become self-sufficient, not dependent on other countries for goods. An English author of the time wrote about the new economic idea of mercantilism:

**PRIMARY SOURCE**

Although a Kingdom may be enriched by gifts received, or by purchases taken from some other Nations . . . these are things uncertain and of small consideration when they happen. The ordinary means therefore to increase our wealth and treasure is by Foreign Trade, wherein we must ever observe this rule: to sell more to strangers yearly than we consume of theirs in value.

THOMAS MUN, quoted in *World Civilizations*

Mercantilism went hand in hand with colonization, for colonies played a vital role in this new economic practice. Aside from providing silver and gold, colonies provided raw materials that could not be found in the home country, such as wood or furs. In addition to playing the role of supplier, the colonies also provided a market. The home country could sell its goods to its colonies.

**Economic Revolution Changes European Society** The economic changes that swept through much of Europe during the age of American colonization also led to changes in European society. The economic revolution spurred the growth of towns and the rise of a class of merchants who controlled great wealth.

The changes in European society, however, only went so far. While towns and cities grew in size, much of Europe's population continued to live in rural areas. And although merchants and traders enjoyed social mobility, the majority of Europeans remained poor. More than anything else, the economic revolution increased the wealth of European nations. In addition, mercantilism contributed to the creation of a national identity. Also, as Chapter 21 will describe, the new economic practices helped expand the power of European monarchs, who became powerful rulers.

**MAIN IDEA**

**Summarizing**

What role did colonies play in mercantilism?

**C. Answer** They provided gold and silver, as well as raw materials, and were a market for the home country to sell its goods.

**SECTION 4 ASSESSMENT**

**TERMS & NAMES** 1. For each term or name, write a sentence explaining its significance.

- Columbian Exchange
- capitalism
- joint-stock company
- mercantilism
- favorable balance of trade

**USING YOUR NOTES**

2. Which effect do you think had the greatest impact on history?

Food/ Livestock/ Disease	Place of Origin	Effect
Potato		
Horse		
Smallpox		

**MAIN IDEAS**

- What were some of the food items that traveled from the Americas to the rest of the world?
- What food and livestock from the rest of the world traveled to the Americas?
- What were some of the effects on European society of the economic revolution that took place in the 16th and 17th centuries?

**CRITICAL THINKING & WRITING**

- MAKING INFERENCES** Why were colonies considered so important to the nations of Europe?
- DRAWING CONCLUSIONS** Why might establishing overseas colonies have justified high profits for those who financed the colonies?
- COMPARING** What were some of the positive and negative consequences of the Columbian Exchange?
- WRITING ACTIVITY** **ECONOMICS** Do you think the economic changes in Europe during the era of American colonization qualify as a revolution? Why or why not? Support your opinions in a two-paragraph **essay**.

**CONNECT TO TODAY** **MAKING A POSTER**

Research one crop that developed in the Americas (such as corn or potatoes) and its impact on the world today. Show your findings in a **poster**.

*The Atlantic World* 575

**More About . . .**

**Colonies**

Colonies were considered, in part, a dumping ground for Europeans who did not fit in at home. The British poet John Donne told the Virginia Company, a joint-stock company, in 1622, "[Jamestown] shall redeem many a wretch from the jaws of death, from the hands of the executioner . . . It shall sweep your streets and wash your doors from idle persons and the children of idle persons, and employ them."

**3 ASSESS**

**SECTION 4 ASSESSMENT**

Have students take turns leading the class. They can ask individual classmates to answer the questions in the Assessment and have other students determine whether the answers are correct.

**Formal Assessment**

- Section Quiz, p. 318

**4 RETEACH**

Have students make a two-column chart listing the various items that passed from west to east and from east to west in the Columbian Exchange. Then use the Visual Summary to review this section and chapter.

**Critical Thinking Transparencies**

- CT56 Chapter 20 Visual Summary

**In-Depth Resources: Unit 4**

- Reteaching Activity, p. 107

**ANSWERS**

- Columbian Exchange, p. 571 • capitalism, p. 573 • joint-stock company, p. 573 • mercantilism, p. 574 • favorable balance of trade, p. 575
- Sample Answer:** Potato, Americas, nourished millions; Horse, Europe, transformed transportation; Smallpox, Europe, killed millions. Greatest impact—Potatoes, because people still eat them.
- Possible Answers:** potatoes, corn, tomatoes, peppers
- Possible Answers:** bananas, coffee, onions, cattle, sheep, pigs, horses
- growth of towns and rise of the merchant class; more social mobility; European nations wealthier
- Possible Answer:** provided precious metals, raw materials, and markets for European goods, promoting favorable balance of trade for European nations
- Investors took on many risks.
- Positive—different foods, both plant and animal, that increased variety of diet and improved nutrition. Negative—warfare, disease.
- Rubric** Essays should
  - include examples of economic changes.
  - provide facts to support opinions.

**CONNECT TO TODAY**

**Rubric** Posters should provide

- relevant illustrations.
- supporting captions and text.
- statistics about the crop's impact.