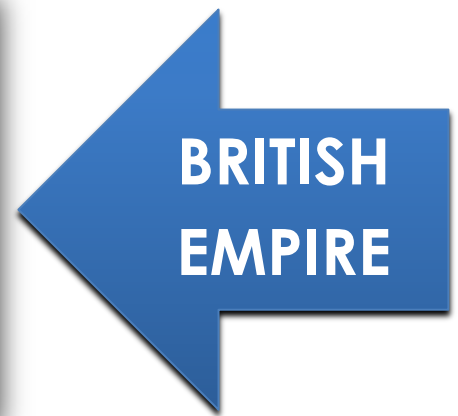
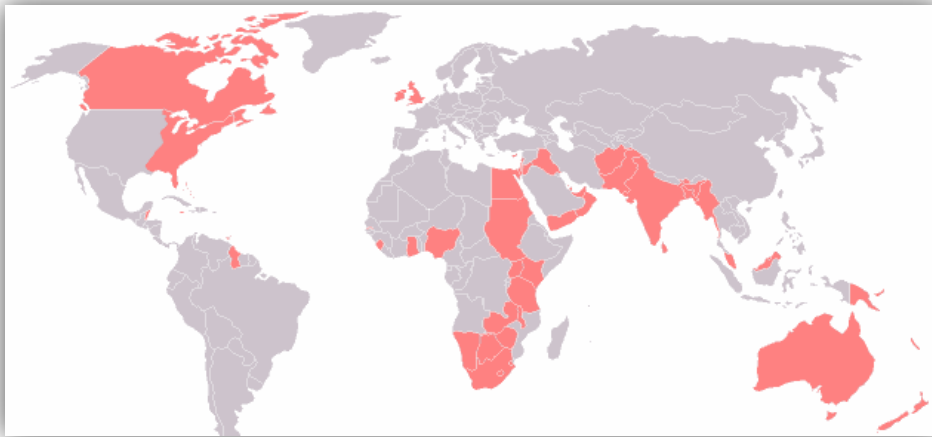


MERCANTILISM

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.

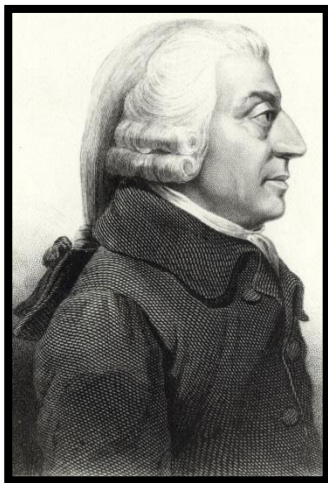


At the foundation of these rivalries existed the economic system of mercantilism, which was the idea that colonies and trade should be strictly controlled to benefit the economy of the home (European) nation. These European nations believed that in order to ensure prosperity, the balance of trade must 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.

MERCANTILISM

DURING THE AGE OF EXPLORATION

Directions: Complete the following questions after having learned about mercantilism.

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 dictionary or an online dictionary, define the following terms:
 - a. Export:

 - b. Import:

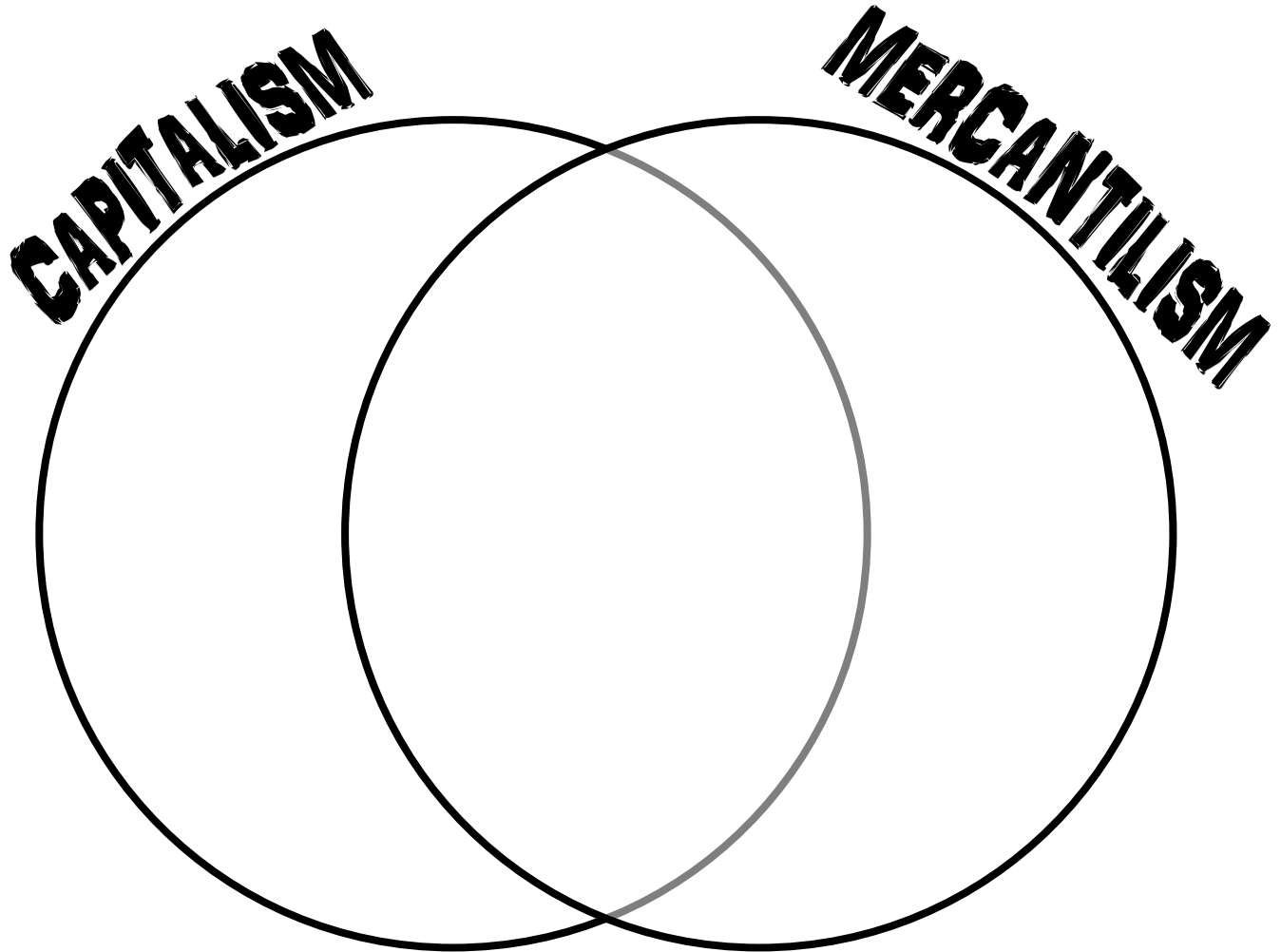
6. Explain why the European nations wanted to maximize their exports and minimize their imports under a mercantile system.

7. Who benefited under a mercantile system? Who did not benefit? Explain.

8. Look at the cartoon on the second page of the reading. What is the message of this cartoon? Explain your reasoning.

9. Who was Adam Smith AND what did he do?

10. Complete the Venn diagram below to compare and contrast mercantilism with capitalism. You may need to complete more research on mercantilism and capitalism using your textbook, library resources or the internet.



MERCANTILISM

DURING THE AGE OF EXPLORATION

Directions: Complete the following questions after having learned about mercantilism.

1. According to the reading, what four European nations competed in intense economic and exploration based rivalries?

Spain, Portugal, France and England

2. Explain how competition for land (or colonies) in the New World was an economic competition between the European nations?

The European nations were competing with each other to capture as much territory as possible because the territory contained valuable natural resources that could be used in the factories and economies in Europe.

3. Write a definition for mercantilism in your own words.

***Student responses will vary. Mercantilism is an economic system wherein nations established colonies in order to gain access to natural resources. These nations then sent these resources back to the home nation for the betterment of the mother country.

4. Draw a diagram in the space below that shows how mercantilism worked.

***Student responses will vary.



5. Using a dictionary or an online dictionary, define the following terms:
- Export:

To send (goods or services) to another country for sale.

- Import:

To bring (goods or services) into a country from abroad for sale.

6. Explain why the European nations wanted to maximize their exports and minimize their imports under a mercantile system.

Under a mercantile system, wealth was achieved by gaining gold and silver. Therefore, European nations sought to increase, not spend, their holdings of gold and silver. They achieved this by buying less than they sold and retaining much of their wealth.

7. Who benefited under a mercantile system? Who did not benefit? Explain.

The mother country of home European nation benefitted as it was able to take much of the wealth from its colonies very cheaply. The colonies and the population of the colonies suffered as they were not able to increase their own wealth and were essentially only able to benefit the mother country.

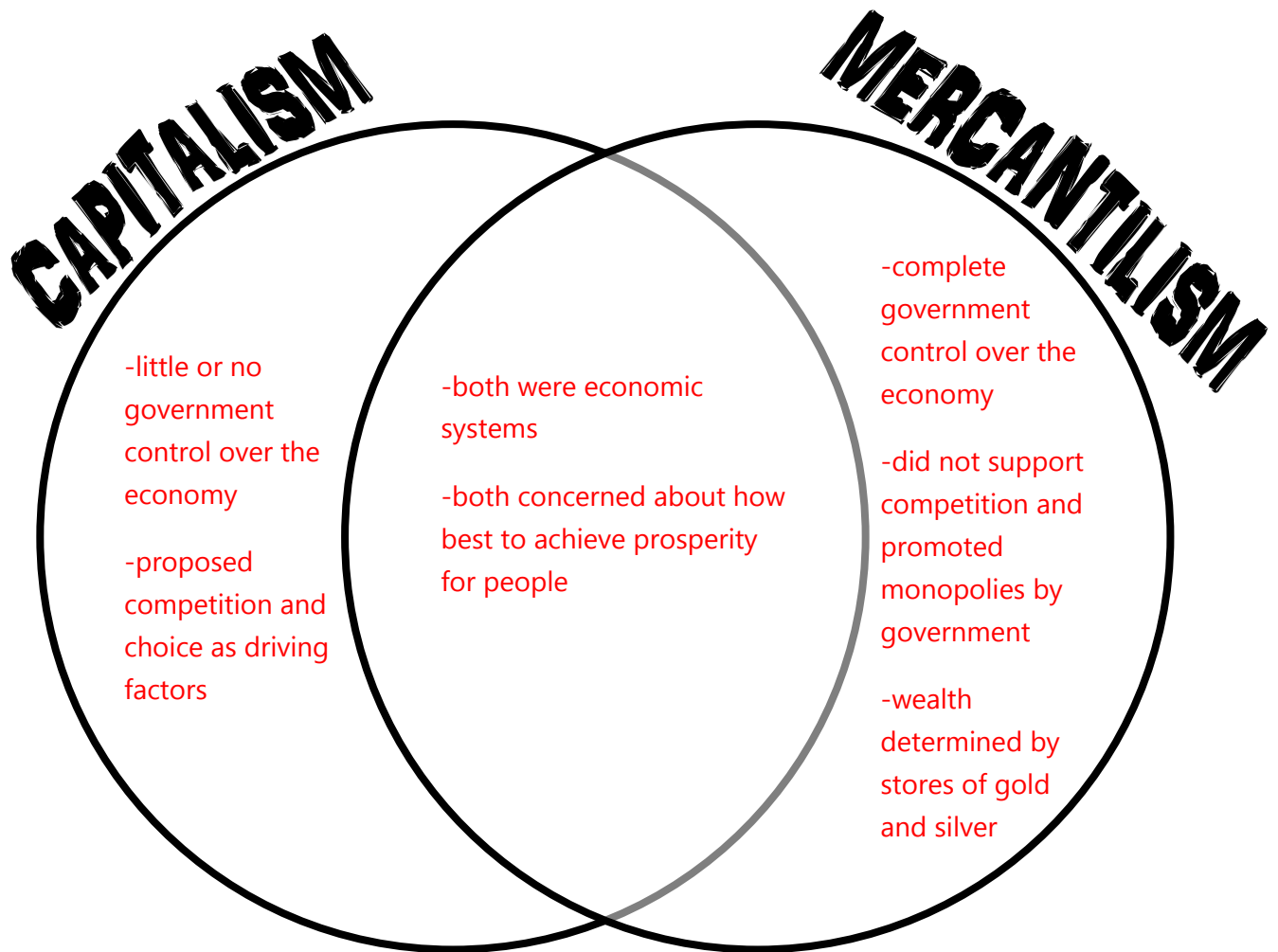
8. Look at the cartoon on the second page of the reading. What is the message of this cartoon? Explain your reasoning.

This cartoon shows that mercantilism only really benefitted the mother country and did not support or improve the colonies. This is shown in the cartoon in that the mother country is being served all of the raw materials, precious metals and food from the colony "servers" and the colonies receive nothing in return.

9. Who was Adam Smith AND what did he do?

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.

10. Complete the Venn diagram below to compare and contrast mercantilism with capitalism. You may need to complete more research on mercantilism and capitalism using your textbook, library resources or the internet.



*** The teacher may choose to have student complete more research to complete the Venn diagram or simply have them complete it using the information from the reading. Below is a web link with a video that can be shown in the class to extend or add on to your discussion of mercantilism and capitalism.

<http://ed.ted.com/on/CegItzLP/discussions/capitalism-vs-mercantilism-what-s-the-difference>