Mercantilist Theory

Name

Course

Date

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Introduction

Mercantilism is one of the primary economic systems used in the 1500s in Europe as a form of trade between countries.[1] Countries which participated in the trade believed in wealth accumulation through the imposition of rules and regulation which governed all the countries which had a common interest in trade. A nation was believed to be strong if it could maximize her export and reduce imports through the implication of trade tariffs.[2]

Principles of Mercantilist Economic Theory

1. The well-being of a country economic growth depend on the rise in population; For a country to achieve growth in the economy, there has to be significant growth in labor productivity.[3] Nations with high population were believed to have economic growth since labor availability was the only source of wealth. As more people joined the labor force, production of goods and services increased and triggered growth in the economy. The high population was perceived as a potential base for consumption and bigger markets.
2. A country wealth could be best judged on the amount of precious metal possessed; an increase in the amount of money that a nation possessed was as a result of the transition from the lower to a higher economic state. If a country possessed large volumes of gold and silver that alone would not translate to the country being wealthy.[4] However, the country

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[1] Abbott, Elizabeth (2009). Sugar: A Bittersweet History. London and New York: Duckworth Overlook, 78.

[2] Sato, Tsugitaka (2014). Sugar in the Social Life of Medieval Islam. BRILL. 30.

[3] Adam Smith (2006). The Wealth of Nations. Oxford .UK.7.

[4] Ibid 6.

needed to increase production of goods and services for it to create more wealth. For it (gold and silver) to be considered wealth, it has to be circulated within the economy. Money was the medium of exchange between countries and had a negative impact on the economy if hoarded.

3. Activate trade between countries as much as possible: Activation of foreign trade between countries was the only way which allowed countries which did not possess gold and silver to participate in trade. Trade was important because economic development depended entirely on the country acquiring gold and silver.
4. Trade and industrialization were ranked higher in the national economy than agriculture: The base for economic development was reduced on different backgrounds of commerce, industry, and agriculture. Mercantilist valued commerce as the most followed by industrialization which was coming up through the support from the government. However, agriculture was the least valued due to the traditionalism character that it exhibited.
5. A nation should practice and boost nation welfare through imposing trade policy: A country should impose policies that represent the best interest of their consumers. The absence of trade regulations creates monopoly power and consumer exploitation since they are price takers.[5] A country should impose tariffs which discourage import but rather promotes the export of internally produced goods.

Sugar Plantations

Sugar was one of the major crops produced in plantations all over the Caribbean islands. Workforce for these plantations came from the enslaved Africans who were a cheap source of

[5] Sato, Tsugitaka (2014). Sugar in the Social Life of Medieval Islam. BRILL, 30.

labor.[6] The amount of sugar produced formed approximately 80-90% of sugar consumed in Europe.[7] Through its introduction in the 17th century by the Dutch along with the depression of prices and competition from the North Americans colonies of tobacco and cotton, sugar becomes a major cash crop of most farmers.[8] As a result, there was a boom in economic growth in the Caribbean since it formed a good medium of exchange adding to the country's source of wealth. However, it was quickly taken over by the British who controlled its production.

Impacts to Non-producing Countries

During the mercantilist economic system, sugar was mainly produced in plantations of South America and major producers were Barbados, Jamaica, and Haiti. However, production in those areas was initiated by the Caribbean colonizers such as Britain, France, and Spain who acquired significant control of its production.[9] Britain, for example, could not produce her sugar and depended wholly from her colonies for the supply of sugar which was an important commodity for foreign trade. She would later join with the West Indian merchants to form a trading organization whom they shared profits together.

Plantation Model

The Spanish and the Portuguese first began sugar plantation in the Atlantic islands which were close to the African coast, therefore, shipping Africans slaves at a relatively short distance. As a result of an increase in demand for sugar in Europe, this gave birth to new plantations in

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[6] Ibid 36.

[7] Abbott, Elizabeth (2009). Sugar: A Bittersweet History. London and New York: Duckworth Overlook. 67

[8] Adam Smith (2006). The Wealth of Nations. Oxford.UK, 39.

[9] Ibid 34.

America. The Spanish introduced plantations in Jamaica whereas the Portuguese took off in Brazil. Eventually, it became a lucrative business which earned heavy profits.[10]

In the beginning, these plantations used a mixed labor force of settlers, indigenous people, and the African slaves. However, this combination was unsuccessful since most of the European settlers and the indigenous people disliked the work. Hence the only option was to use African slaves as the source of labor in the plantations. However, plantations violence and resistance was the lubricant used by the managers to ensure obedience from the workers.

[10] Sato, Tsugitaka (2014). Sugar in the Social Life of Medieval Islam. BRILL, 30.

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