

## ACTIVITY 22.1

**Mercantilism – Show Me the Gold!<sup>1</sup>**

Mercantilism refers to policies and laws that were adopted by many nations of Europe between the 16th and 18th centuries.<sup>2</sup> Mercantilists were people who accepted mercantilism's policies and laws. They believed a strong government was necessary for their society to advance.

An important reason for a strong government was to build a strong army and navy. Wars between the nations of Europe had become more frequent. The monarchs of these nations expected their lifestyles to reflect the important role they played, so they spent lavishly on themselves and their courts.

The problem with wars and large courts is that both require large amounts of money—gold being a common means of payment. Before 1500, monarchs and their governments could tax working-class peasants to pay their bills. Peasants were not politically powerful and did little to resist. This changed in the 14th century when violent peasant revolts erupted in England, France, and other nations. Taxes on land were not popular among wealthy landowners either. A new source of tax revenue had to be found.

Luckily for the monarchs, a new source of revenue emerged. By 1500, international trade was growing rapidly. Trade would grow even more because of the exploration and colonization that followed the voyages of Christopher Columbus to the New World and Vasco da Gama to India. Duties (taxes) on foreign trade went directly to the monarch's treasury. Taxing overseas trade raised revenue without the more visible negative effects of domestic taxes. European governments established companies that were given rights to trade with overseas colonies. For these privileges the companies were willing to pay taxes to their governments.

Mercantilists believed that their governments should promote their own exports (goods and services produced in one nation and sold in other nations) but discourage imports (goods and services bought from sellers in another nation). If Spain exported wheat to England, England would pay for the wheat with some of its gold. Spain would try to hold onto the gold and not spend it on imported goods from England.

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<sup>1</sup> Sources: John J. McCusker, "British Mercantilist Policies and the American Colonies," in *The Cambridge History of the United States: The Colonial Era*. Eds. Stanley L. Engerman and Robert E. Gallman. Cambridge University Press, 1996; Laura LaHaye, "Mercantilism," *The Concise Encyclopedia of Economics*. <http://www.econlib.org/library/Enc/Mercantilism.html>

<sup>2</sup> The period from about 1500 to 1750 C.E. is called the "Age of Mercantilism."

## ACTIVITY 22.1, CONTINUED

In the mind of a mercantilist, the transaction provided a double benefit for Spain. Spain would have more gold to wage war or support its courts while England would have less. Mercantilists believed that the total amount of trade and gold in the world was fixed. For them, international trade always resulted in one nation gaining at the expense of another nation. During the Age of Mercantilism, the nations of Europe were always preparing for wars with other nations. Trading for another nation's gold would make the importing nation weaker while making the exporting nation stronger.

### QUESTIONS:

1. During the Age of Mercantilism between the 16th and 18th centuries, why did European nations want gold?
2. Why did European nations use taxes on international trade, rather than other taxes, to raise revenue?
3. How did nations increase the amount of gold they owned?
4. What did mercantilist nations give up when they held on to their gold, rather than spend it?

## ACTIVITY 22.2

**The Golden Touch: Was King Midas a Mercantilist?**

In 1851, American writer Nathaniel Hawthorne wrote a book of stories based on several classical myths. The result, *A Wonder-Book for Girls and Boys*, was published in 1852.<sup>1</sup> In retelling these stories, Hawthorne stressed the moral lessons they offered to young people. One of the stories was “The Golden Touch,” which told the tale of King Midas, a man rich in gold, but not satisfied with the amount of gold he owned.

*ONCE upon a time, there lived a very rich man, and a king besides, whose name was Midas. . . . This King Midas was fonder of gold than of anything else in the world. . . . If he loved anything better . . . it was the one little maiden who played so merrily around her father’s footstool. But the more Midas loved his daughter, the more did he desire and seek for wealth. . . .*

*Midas . . . made it his custom, therefore, to pass a large portion of every day in a dark and dreary apartment . . . at the basement of his palace. It was here that he kept his wealth. . . . Here, after carefully locking the door, he would take a bag of gold coins. . . . And then would he reckon over the coins in the bag . . . and whisper to himself, “O Midas, rich King Midas, what a happy man art thou!” . . .*

*Midas called himself a happy man, but felt that he was not yet quite so happy as he might be. The very tiptop of enjoyment would never be reached, unless the whole world were to become his treasure-room and be filled with yellow metal which should be all his own. . .*

*Midas was . . . in his treasure-room one day . . . [when] what should he behold but the figure of a stranger. . . .”You are a wealthy man, friend Midas!” he observed. “I doubt whether any other four walls on earth, contain so much gold as you have contrived to pile up in this room.”*

*“I have done pretty well, pretty well,” answered Midas, in a discontented tone. “But, after all, it is but a trifle, when you consider that it has taken me my whole life to get it together. . . .*

*“What!” exclaimed the stranger. “Then you are not satisfied?”*  
*Midas shook his head.*

<sup>1</sup> Source: Nathaniel Hawthorne, “The Golden Touch” in *The Wonder-Book for Girls and Boys*. 1852. <http://www.ibiblio.org/eldritch/nh/wb2b.html> or another illustrated version at <http://www.archive.org/stream/goldentouchtoldt00hawt#page/n35/mode/2up>

## ACTIVITY 22.2, CONTINUED

*“And pray what would satisfy you?” asked the stranger.*

*“It is only this,” replied Midas. “I am weary of collecting my treasures with so much trouble, and beholding the heap so diminutive, after I have done my best. I wish everything that I touch to be changed to gold!”*

The stranger magically grants King Midas his wish; at first the king is thrilled to have “the golden touch.” But he soon realizes that beautiful flowers, food, and even his young daughter are turned to gold with his touch. By the time the mysterious stranger returns, Midas believes the golden touch is a curse. Midas begs the stranger to free him from the golden touch. After his new wish is granted, the king’s flowers, food, and his daughter are restored. King Midas has learned his lesson: He no longer believes that the best things in life are made of gold.

When we first meet King Midas, he believes that gold is the true source of wealth, just like mercantilists did. But in the end, Midas realizes that more gold does not make him happy. The “golden” ideas of mercantilists also faded as countries focused on trading for goods they desire as opposed to hoarding gold for war and lavish royal lifestyles.

**QUESTIONS:**

1. Why did King Midas want gold?
2. Why did King Midas want the golden touch?
3. What did King Midas give up when he was given the golden touch?
4. How were the mercantilists like King Midas?
5. How were the mercantilists different from King Midas?
6. Why did King Midas want to give up his golden touch?
7. Why do you suppose mercantilist ideas about gold were eventually given up?