

E. The “American System” of Mercantilism

1. Agrarianism was more popular than mercantilism in early America for a few reasons:
 - a) When America was first created, it was still a set of colonies in a pre-industrial state of technological development. Agriculture was more common than manufacturing, so agrarianism was almost the default point of view.
 - b) Mercantilist policies by the British government has obviously hurt the colonies, and were part of the reason for the American Revolution, so such policies were naturally viewed negatively by Americans.
 - c) Mercantilism is not compatible with liberty. It involves the government passing laws that helps some people (the industries of a country that “export”) at the expense of the people that want to “import.” This is an interference in the normal making and trading of things that people would engage in if left free to choose.
 - d) Mercantilism is always associated with nations at war. Monarchies—and other mercantilist governments—make laws to help their own merchants so they can tax those merchants in times of war. Since America intended to be politically separate from Europe, however, this policy was less relevant to its particular situation. Only when the Napoleonic Wars (1799-1815) expanded to include America did mercantilism become more appealing.
2. To get sailors for its navy against France, Britain would board American ships at sea and seize American sailors. This was intolerable to Americans, and was enough to push America into another war with its mother country.
3. The **War of 1812 (1812-15)** was a painful experience for America, because the British were brutal in their attacks. They no longer intended to rule America, only to punish it. British troops even landed in Washington, and burn the White House to the ground.
4. This made Americans resent Britain much more, and made them willing to accept mercantilist laws as a barrier to British goods being imported. It was at this point that the tax on foreign goods known as “*the Tariff*” was raised. This was what Alexander Hamilton had wanted in the first place.
5. The Tariff, which stood at 5-15% in early American history, was quickly doubled, and doubled again, until the taxes on imported products was as high as 60% (see the chart on the next page). Imagine being used to buying a suit of clothes from Britain at \$100, and then in a few short years, seeing the price of that same suit rise to \$160.
6. In addition to causing the price of many goods to rise for Americans, The Tariff caused Southern farmers to suffer a drop in business as well. This is because countries almost always raise their own tariffs when another country does.
7. This policy was supposed to **encourage** “American industry.” The fact that most of these industries were in the North was not lost on Southern plantation owners, who now had to pay more for the things they needed, and whose exports were harmed by the very same policy.
8. Not surprisingly, since the North and South were already arguing about *abolitionism*, the Tariff contributed to the antagonism between the two, and was one of the causes of the Civil War (even though it had been lowered from its peak by the time the war happened).

