Mercantile Laws

2016-08

Mercantile Laws were originally designed to keep trade within the sphere of the Crown. Trade with non British entities was to be discouraged. The French and Spanish empires had similar type laws to maintain trade within their spheres of influence as well.

The most direct threat to British interests was the trade by the 13 American colonies with Spanish and French colonies in the West Indies. The proximity of the Indies to the thirteen colonies meant a considerable trade advantage. During the 1740's, the primary products produced by any of the West Indies colonies (regardless of nationality) were sugar, molasses, rum and tobacco products. These colonies had a need for everything else.

The British plantation owners in Barbados, Jamaica, and other islands saw an erosion of trade with the thirteen American colonies. French and Spanish merchants far preferred trade goods and food from North America at a cheaper cost than from Europe. Since there was little coin, much of the trade was completed on a barter type system. The French and Spanish were prepared to offer sugar, rum, molasses, and tobacco at a low price. The demand in the northern colonies was met. The British plantation owners could not collect inflated prices for similar products. The British plantation owners argued that the French plantations on Martinique and St. Domingo (Haiti) had more fertile land. There is little proof to back this claim, and the northern colonists saw it as an attempt to make money by the plantation owners at their expense.

By 1733 the British plantation owners had considerable influence in the British parliament, so they enacted the Molasses Act. This act imposed a tax of six pence per gallon on imports of molasses, five pence per hundred weight of sugar products, and nine pence per gallon on rum or spirits from non-British colonies. The intent of the act was to raise the dockside prices of French and Spanish product.

There was a flourishing rum distilling business in the New England colonies which relied on the supply of West Indies molasses, since molasses is essential in making rum. The added cost of the rum stifled the New England business and cause them to lose market share. New England was therefore strongly opposed to the Molasses Act.

What the Act actually did was initiate the biggest smuggling initiative ever seen in North America. It also was the major cause of corruption in the Customs / Revenue Service, where outright bribes and intimidation was present. The customary bribe to clear customs in New York and Massachusetts amounted to half a penny a gallon. This trade prospered for many years, yet the British authorities did not seriously enforce the laws.

So little revenue was generated from the imposition of the Molasses Act, that the Crown actually paid-out more for its entire life, than was ever brought-in. The act collected £330 sterling in its first year, falling to £76 annually during the 1738-1741 period, well below the cost to administer it. The failure to stem the flow of product and costs to enforce the Act resulted in the repealing of the Act.

The Molasses Act was replaced by the Sugar Act in 1764.