

local tribes and lack of food forced the colonists to return to England. Raleigh tried to establish Roanoke again in 1587, with the results described in One American Story (previous page). No one knows what happened to this “lost colony.” Some historians think that the starving colonists joined a local tribe of Native Americans. Others believe that they were killed.

In 1607, the English tried to found the Sagadahoc colony on the Kennebec River in Maine. Again, hunger forced most colonists to return to England.

Financing a Colony Raleigh lost his investment when his colony failed. Later, other merchants tried financing a colony through a **joint-stock company**. Joint-stock companies were funded by **investors**, people who put money into a project to earn profits. Each investor owned a portion of the company, called shares of stock. Investors shared profits and risk.

Merchants formed two joint-stock companies to colonize America: the Virginia Company of London and the Virginia Company of Plymouth. These companies sought permission to colonize from James I, who had become king after Queen Elizabeth’s death. Colonies were important in **mercantilism** (MUR•kuhn•tee•LIHZ•uhm)—an economic system that European nations used to enrich their treasuries.

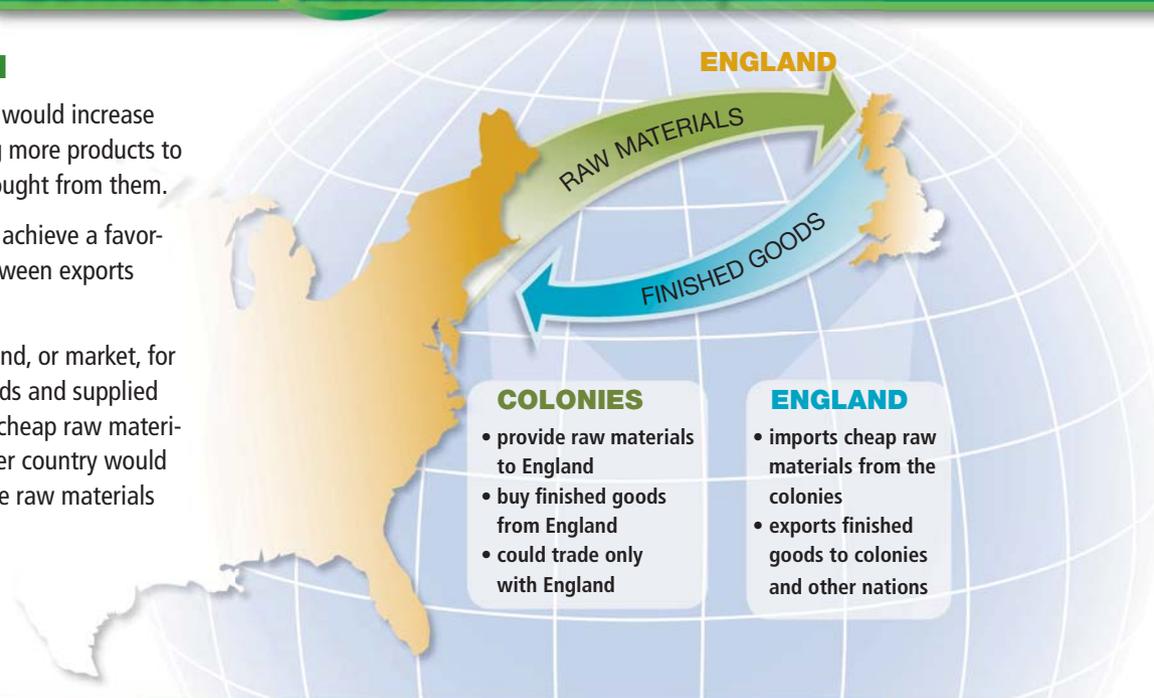
CONNECT Economics and History

MERCANTILISM

In mercantilism, a nation would increase its wealth through selling more products to foreign nations than it bought from them.

Colonies helped a nation achieve a favorable balance of trade between exports and imports.

Colonists created a demand, or market, for the mother country’s goods and supplied the mother country with cheap raw materials. In this way, the mother country would not have to buy expensive raw materials from rival nations.



CRITICAL THINKING

- 1. Make Inferences** How did colonies enrich a nation?
- 2. Connect to Today** What do you think would happen if, for several years, your family collected less money than it paid for goods? How might such a situation affect a nation?