

The Expansion of Europe: Overseas Empires and Commercial Development, 1500-1700

A. The Commercial and Industrial Ages: The economic history of the modern world may be broken down into two periods.

- First, there was **The Commercial Age** from 1500 to 1750, which was characterized by the advent and development of the philosophy of capitalism and the primitive economic system it spawned called **Mercantilism**.
- Second, there was **The Industrial Age** from 1750 to the present, which was characterized by developments in industrial techniques, production, and labor which created **the Modern Market Economy of true capitalism**.

1. The Meaning of the Commercial Revolution for Europe:

- a. During the 16th and 17th centuries, Europe was able to take advantage of all the overseas exploration that was going on.
- b. Trade and colonization increased, and capitalism expanded until it encompassed all facets of economic life, pushing other issues such as religion gradually into the background. This period was known as the Commercial Revolution.
- c. Trade and commerce increased as new sources of raw materials and new markets opened. The growth of capitalism and the accumulation of funds to invest in large trading enterprises all brought a demand for money to keep up with growing business. In other words: it takes money to make money.
- d. This process gained momentum as gold and silver poured into Europe from new discoveries in the Americas and this, in its turn, spurred business and increased the price of goods. In cyclical fashion, as new raw materials poured into production, technological breakthroughs speeded up not only to improve production but to improve the product, as well.

2. Mercantilism:

- a. The object of Mercantilism was to increase the power of the mother country. Colonies were important not only as sources of raw materials for the factories in the mother country, but also as outlets for finished products. The more consumers that could be created, the better it was for trade.
- b. However, Europeans did not consider the trade in itself as being valuable; rather, it was what the trade could bring in, which was gold and silver. These two resources were considered to be the only real measure of wealth and power. The "rule of thumb" for mercantilists was self-sufficiency and exclusivity.

B. Europe Enters the Global Economy:

1. As the Spanish and Portuguese began their voyages of discovery, Eurasia already had a well organized economy.
 - a. Overland trade routes brought the goods of China across Asia to India, Persia and the Ottoman Empire.
 - b. Sea routes connected China with the islands of Indonesia and with the trading centers of India, the Arabian Peninsula and the East African Coast.
 - c. Within Africa, trade routes connected the West Coast to the East and routes also crossed the Sahara, connecting the interior with the Mediterranean coast.
2. The Americas were criss-crossed by extensive trade routes.
 - a. The Mexica empire gathered tribute from throughout Central America. Trade routes connected them to the Asanti peoples of the Southwestern US.
 - b. The Inca established an empire stretching over 1,000 miles through the Andes.
 - c. In North America, the city of Cahokia served as a trading which brought together merchants from throughout the Mississippi River Basin.
3. One of the reasons for first the Portuguese and later the Spanish voyages of discovery was the desire to engage in direct trade with the peoples of Asia.
 - a. The Italian cities of Genoa and Venice controlled much of the trans-continental trade because of their relations with the Ottoman Turks.
 - b. The Portuguese sought to get around this monopoly by sailing around Africa.

4. It became quite clear very quickly that the Europeans had a significant problem competing in the world market. Few people wanted the goods the Europeans had to offer. When Vasco da Gama first arrives in India, he is nearly killed because the Indian king with whom he is trying to trade is insulted by the quality of goods he has to offer. As a result, the Europeans enter the Eurasian trade not as merchants, but as "protectors."

C. Imbalances in World Trade. By the 17th century a new world economy, dominated by Europeans, had formed.

1. Spain and Portugal briefly held leadership, but their economies and banking systems could not meet the new demands.
2. England, France, and Holland, the core nations, established more durable economic dominance. They expanded manufacturing operations to meet new market conditions.
3. The doctrines of mercantilism protected home markets and supported exports; tariff policies discouraged competition from colonies and foreign rivals.
4. Beyond Europe areas became dependent participants in the world economy as producers and suppliers of low-cost raw materials; in return they received European manufactured items.
5. Africa entered the world network mainly as a slave supplier.
6. The Europeans controlled commercial and shipping services.

D. A System of International Inequality. The rise of core and dependent economic zones became an enduring factor in world economic relationships.

1. Some participants in the dependent regions had an opportunity for profit.
 - a. African slave traders and rulers taxing the trade could become rich.
 - b. Indigenous merchants in Latin America satisfied regional requirements.
2. Many peasants in all regions remained untouched by international markets.
3. Still, indigenous merchants and landlords did not control their terms of trade; the wealth gained was expended on European imports and did not stimulate local manufacturing or general economic advance.
4. Dependence in the world economy helped form a coercive labor system.
 - a. The necessity for cheap products produced in the Americas exploitation of indigenous populations or use of slaves.
 - b. In the Dutch East Indies and British India peasants were forced into labor systems.

E. How Much World in the World Economy? Huge world areas remained outside the world economy. They were not affected politically or economically by its structure, and until the 18th century did not greatly suffer from the missed opportunities for profit or technological advance.

1. East Asian civilizations did not need European products; they concentrated upon consumption or regional commerce.
 - a. China was uninterested in international trading involvement and remained mainly outside the world economy until the end of the 18th century. It was powerful enough to keep Europeans in check.
 - b. Some limited trade was permitted in Portuguese Macao, and European desire for Chinese manufactured items made China the leading recipient of American silver.
 - c. In Japan early openness to Europeans, in missionary activity and interest in military technology, quickly ended. Most contacts were prohibited from the 17th to the 19th century.
2. Mughal India, the Ottomans, and Safavid Persia all allowed minimal trade with Europeans, but concentrated upon their own internal development.
3. Russia and African regions not participating in the slave trade lay outside the international economic orbit.

1. The ways that the creation of a global economy in the 16th and 17th centuries differed from the previous trade networks that had existed between civilizations.

- The global economy of the 16th and 17th centuries was dominated by the West; previous global networks had been dominated by the East or Islamic regions.
- New areas were added in the 17th century: Africa became more fully incorporated and the Americas were added for the first time.
- The increase in international trade led to the creation of core regions and dependent zones. The latter were exploited by Western core regions; they were typified by the production of raw materials, bullion, and agricultural crops (often produced on plantations).
- Many had coercive labor systems (usually slavery) and were dependent on manufactured goods from core regions.
- The global network was enforced by the West's military technology, particularly naval gunnery and superiority on the seas.

2. The reasons allowing the West to establish its dominance in the global trade network of the 17th century.

- The withdrawal of possible rivals helped the West, in particular that of China and the Islamic world.
 - **The Ottomans** were not as dedicated to commerce as were previous dynasties and they were not as fully in control of regions obviously critical to the Islamic trade network.
 - **China** made the decision to be self-sufficient and withdrew from the world trade network.
 - **Japan** made a similar decision and isolated itself.
- The West had an advantage through its relative population growth in comparison to the others and through its technological innovations directly related to seafaring and military power on the seas, especially cannon. The West defeated the Ottomans at Lepanto in the 16th century; China and Japan did not challenge the West.

3. The role of Europe in the global economy changes with four significant events:

- The discovery of silver in South America, especially the rich mine of Potosi
- The development of the sugar plantation
- The development of the tobacco plantation
- The slave trade which resulted for the need to find plantation laborers.