

13

THE UNIFICATION OF WORLD TRADE

1500 1776

THE INVISIBLE HAND REACHES OUT: A CAPITALIST WORLD SYSTEM APPEARS

COMMENTARY

The previous chapter surveyed the development of trading networks in Asia, Africa, the Indian Ocean, Europe and the Mediterranean, and the Americas, as well as the different social, religious and political foundations on which the economies of those areas were based. Chapter 13 examines the emergence of a unified system of world trade which, for the first time, was to knit those various regional networks together into single, global network. This new **world system** was characterized by two distinctive features. First, it was based on **capitalism**, that is on the private ownership of wealth and the **means of production** and on the pursuit of private economic profit (Spodek, p. 409). Also, it was dominated by European traders, bankers, entrepreneurs and plantation owners who, with the encouragement, financial support and naval protection of their countries increasingly powerful, centralized governments, wrested control of much of the world's trade from the former regional networks and redirected it for their own profit, while bringing many regions of the Americas, Asia and Africa under their imperial rule.

Because of this European domination, the chapter focuses on the development of the European powers, the expansion of their trading empires, and their increasingly aggressive and expensive rivalry for economic profit and control of the lion's share of the world's trade. A closely related theme is the gradual evolution of capitalist enterprise in practice and eventually as a fully articulated (though as yet unnamed) theory in *The Wealth of Nations* (1776), by the Scottish philosopher and economist **Adam Smith**. A number of important questions relating to these topics are addressed. What internal political, social, religious and economic factors within the five European trading states (Portugal, Spain, the Netherlands, France and England) contributed to their rather sudden emergence as expansionist powers? How were they able to extend their domination over such vast areas in so short a period of time? What was the nature of the relationship between private enterprise and the government in each of those states? Why did the Dutch, the French, and eventually the British ultimately surpass Spain and Portugal as imperial powers? What were the effects of European domination on the regions and peoples they controlled? And how and why were some areas, such as Russia, the **Ottoman Empire**, China, and **Tokugawa Japan**, able to stave off economic encroachment by western Europe?

The author's answers to these questions necessitate a brief discussion of a number of important contemporary developments, among them the rise of the Spanish monarchy, the **Protestant Reformation**, the **Dutch Revolt**, royal absolutism and **mercantilism** under **Louis XIV** of France, and agricultural **enclosures** and the establishment of the **Bank of England** in Britain. Although these topics may appear at first to have little or nothing to do with world trade, they are, in fact, critical to understanding how western Europe, a relatively small and heretofore backward corner of the Eurasian land mass, could come to control so much territory and manipulate so much of the world's wealth.

On the question of the effects of this European-dominated capitalist system, within Europe itself and around the world, the text attempts to present a balanced assessment. While there were some clear winners and losers in the process—European merchant classes in general and Britain, in particular, among the former; and the native American peoples and African slaves among the latter—in other places the results were not so unambiguous. The population grew and the standard of living improved over much of Europe after 1700, yet the vigorously entrepreneurial merchant castes of India also thrived during the period. And while Portugal and Spain were ultimately bankrupted by the costs of their wars and distant empires, the merchants and government of **Qing Dynasty** China reaped handsome profits for their controlled trade with Europe. As the text points out, much of the silver and gold that were mined from Mexico and Peru found its way to China, where it was exchanged for fine porcelain, silk and tea.

CHAPTER OUTLINE

- A. Capitalism and the Expansion of Europe
 - 1. Capitalism: a definition
 - 2. European capitalism and the expansion of trade: What Difference Does It Make?
- B. Spain's Empire
 - 1. New World conquests
 - 2. Making the conquests pay
 - a. Forced labor through the *encomienda* and *mita* systems
 - b. *Haciendas*, plantations and mining
 - 3. Merchant profits
 - 4. Warfare and bankruptcy
 - a. Charles V (1516-1556)
 - b. Philip II (1556-1598)
- C. Trade and Religion in Europe: the Protestant Reformation and the Catholic Counter-Reformation
 - 1. The Reformation
 - a. Martin Luther in Germany
 - b. John Calvin in Geneva
 - c. King Henry VIII (1509-1547) in England
 - 2. The Counter-Reformation
 - a. The Council of Trent
 - b. Ignatius Loyola and the Jesuits
 - 3. Religious beliefs and capitalist practice: What Difference Does It Make?
 - 4. SOURCE: Don Quixote of La Mancha
 - 5. Protestant Challenges from the Dutch Republic and England
- D. Portugal's Empire
 - 1. Sugar, slaves, and food
 - 2. The Indian Ocean: advancing Portugal's coastal explorations of Africa
 - 3. How significant were the Portuguese?
- E. The Dutch Republic
 - 1. Economy and society in the Netherlands (Dutch Republic)
 - 2. Dutch joint-stock companies and commercial expansion in Southeast Asia and the Americas
- F. France and England
 - 1. France: consolidating the nation
 - a. King Louis XIV (1643-1715) and royal power
 - b. Colbert and mercantilism
 - 2. FOCUS: Joint Stock Companies in Asia
 - 3. Britain: establishing commercial supremacy
 - a. British (English) expansion in North America, the West Indies and India
 - b. British triumph in overseas trade: What Do We Know and How Do We Know It?
 - 4. SPOTLIGHT: The European Other in Art
- G. Capitalism
 - 1. Adam Smith, *The Wealth of Nations* (1776)
 - a. Supply and demand; self-interest; free markets and *laissez-faire*
 - b. The economic role of government: public works and education
 - 2. FOCUS: Agriculture in Economic growth
- H. Diverse Cultures: Diverse Economic Systems
 - 1. Russia
 - a. The rise of Russia
 - b. PROFILE: Peter the Great (1682-1725)
 - 2. Ottomans and Mughals
 - a. Foreigners and trade in the Ottoman Empire
 - b. Guilds and trade in the Mughal Empire
 - 3. Ming and Qing dynasties in China

- a. Traders and government under the Ming and Qing
- b. The Canton System and the restriction of trade with Europeans
4. Tokugawa Japan
 - a. Tokugawa *shoguns* and the closing of Japan
 - b. Urbanization and economic growth under the Tokugawa: the rise of Edo (Tokyo)
5. Southeast Asia

I. What Difference Does It Make?

IDENTIFICATION TERMS

For each term, students should be able to provide an identification or definition, an approximate date, a geographical location (if relevant) and —most important —a concise explanation of its significance in the context of the chapter. Terms that appear in the *Study Guide* are listed in **bold** font in the first column.

enclosures	development of underdevelopment	Louis XIV
Edo	<i>conquistadors</i>	Seven Years War
indulgences	Atahualpa	Adam Smith
<i>encomienda</i> and <i>mita</i>	Potosi	law of supply and demand
Dutch East India Company	Charles V and Philip II	the Other
Canton System	Martin Luther	Bengal
Jesuits	Calvinism	Peter the Great
mercantilism	Henry VIII	Ottoman Empire
<i>Asiento</i>	Council of Trent	Akbar
<i>laissez-faire</i>	El Mina	<i>hundis</i>
Dutch Revolt	Vasco da Gama	Qing Dynasty
Spanish Armada	Amsterdam	Tokugawa Shogunate

LEARNING OBJECTIVES

After reading and studying Chapter 13, students should be able to:

1. Define capitalism and explain its advantages and disadvantages, especially with respect to the theory of underdevelopment.
2. Compare and contrast the trade empires of Portugal, Spain, the Netherlands and England and be able to explain the reasons for the decline of the first three and the success of England.
3. Explain the connection between the slave trade and the changing patterns of world trade.
4. Explain the background of the Protestant Reformation and compare the different motivations and beliefs of Martin Luther, John Calvin and Henry VIII.
5. Understand the various methods employed by the Catholic Church to combat Protestantism during the Counter-Reformation.
6. Discuss and compare capitalist and other economic systems in the Dutch Republic, the Mughal Empire, and Ming-Qing China.

SUGGESTIONS FOR LECTURE TOPICS

1. Discuss the origins and development of capitalism in Europe and the various theories relating capitalism and religion. Introduce the Netherlands and England as typical early capitalist economies.
2. Explain the reasons for the rise and fall of the Spanish Empire.
3. Introduce the concept of the development of underdevelopment using the early European trade empires in Latin America and Asia as proto-examples.
4. Discuss the economic, political and religious background of the Protestant Reformation, using Germany, the Netherlands and England as examples. Then explain the methods employed by the Catholic Counter-Reformation, and the reasons for the successes and failures of both.
5. Discuss the importance of slavery and the slave trade in the development of European exploration and economic expansion.
6. Describe and explain the levels of economic development in the Ottoman Empire, Mughal India, Ming-Qing China and Tokugawa Japan, c. 1450-1750.

TOPICS FOR ESSAYS OR CLASS DISCUSSIONS

1. Discuss the Spanish conquest of the Aztec and Inca civilizations of Mexico and Peru, with particular reference to two questions. First, how were a mere handful of Spanish *conquistadors* able to subdue these two powerful empires in so brief a period of time? And second, how did the Spanish exploit those peoples for Spain's —and Europe's— profit, in succeeding years?
2. Based on what you have learned from Chapters 12 and 13, what were the principal causes of the Protestant Reformation? What were the major objections raised by Luther, Calvin and other reformers against Catholic doctrines and practices? Why were the reformers able to gain such widespread acceptance in some areas of Europe but not in others? How might economic and technological developments have contributed to the Reformation?
3. In some ways the decline of the Spanish monarchy parallels the classic model of imperial decay, as outlined in Chapter 5 (Volume I: to 1500). Using the model presented in that chapter and specific evidence and examples from Chapter 13, explain why the Spanish Empire began to decline, c. 1570-1700. (If you do not have Vol. I or the Combined Edition, use the information about Spain's decline in this chapter and try to formulate your own general model.)
4. Compare the reasons for the rise of France and the Dutch Republic as major trading powers in the 17th century. What advantages did they enjoy that Spain and Portugal did not? Conversely, what weaknesses began to show in their political or economic systems which later put them at a disadvantage in the face of competition from Britain? How does the French historian Fernand Braudel, in *Civilization and Capitalism 15th-18th Century*, account for the success of Great Britain in establishing the largest and most enduring economic empire of all the European powers?
5. Why was a free market economy the best system of exchange, according to Adam Smith? Why was *laissez-faire* preferable to regulation by church or state? How would individual or corporate greed be controlled under such a system, according to Smith? How does Smith's system compare with the economic policies pursued by Qing China, Louis XIV's France or Russia under Peter the Great?
6. Compare the responses of the governments of the Ottoman and Mughal Empires, the Ming and Qing Dynasties in China, and Tokugawa Japan, to the encroachment of European economic and naval power in their respective territories. Why were China and Japan more successful than the two Muslim empires in holding the Europeans at bay?
7. Group work: Based on the contemporary illustrations (pp. 412, 428-429, 437), what features of the Europeans' appearance and technology did peoples in Africa, India and the Americas find most striking? What clues as to the reasons for the eventual domination of those areas by Europeans can you find in this art?
8. Debate: Adam Smith believed that capitalism was essentially a win-win proposition which would ultimately benefit everyone, but many other observers before Smith and after have not been so sure about that assumption. Comparing Smith's capitalist, free-market economy with the human or moral economy described at the beginning of Chapter 12 and institutions designed to restrict competition, such as guilds in medieval Europe and Mughal India and the European village economy (pp. 430-431), discuss the relative advantages and disadvantages of each system. Based on the evidence in Chapter 12, is capitalism a win-win proposition or a zero-sum game, with winners and losers?
9. Current events & issues: Explain the term development of underdevelopment and discuss the theory in relation to European economic expansion in the period covered by the chapter. Based on the economic status of many countries in Africa, Asia and Latin America, what have been the continuing effects of European economic exploitation?

TEXT RESOURCES (Spodek, 2nd ed.)

Timetables, charts and graphs:	The Interconnecting World, 1500-1700	(p. 411)
	Protestant Reformation and Counter-Reformation	(p. 417)
Large photographs or illustrations:	John Calvin weighing the Bible	(p. 416)
	Fortress of Sao Jorge da Mina (El Mina)	(p. 420)

	Return to Amsterdam of Fleet of the Dutch East India Co.	(p. 425)
	Enclosure Acts: Padbury, England	(p. 431)
	Portuguese ships and sailors [Chinese screen painting]	(p. 437)
Maps:	World exploration	(p. 413)
	The Reformation in Europe	(p. 415)
	The first European trading systems	(p. 421)
	Indian Ocean trade in the seventeenth century	(p. 422)
	British Power in India	(p. 426)
SPOTLIGHT:	The European Other in Art	(pp. 428-9)
PROFILE:	Peter the Great	(p. 433)
FOCUS:	The Joint Stock Companies in Asia	
(pp. 424-5)	Agriculture in Economic Growth	(pp. 430-1)
SOURCES:	Don Quixote of La Mancha [Cervantes]	(p. 418)

ADDITIONAL PRIMARY SOURCES (*Documents Set & www.prenhall.com/Spodek*)

13-1	Camões and the <i>Lusiads</i> : Portugal's <i>Odyssey</i>
13-2	Kilwa, Mombasa, and the Portuguese: realities of empire
13-3	Bartolome de las Casas: persecutor turns protector [from <i>The Devastation of the Indies</i>]
13-4	Luther vs. Erasmus: a Reformer's attack on free will [from Martin Luther, <i>The Bondage of the Will</i>]
13-5	John Calvin and the Elect: the cool logic of salvation [from <i>Institutes of the Christian Religion</i>]
13-6	<i>Memoires</i> of the Grande Monarch: absolutism personified [from <i>Memoires de Louis XIV</i>]
www	Conscience topples kingdoms: the Edinburgh Prayer Book Riots (1637)

AUDIO-VISUAL RESOURCES (videos, DVDs, CD-ROM and websites)

***The Aztecs: Films for the Humanities & Sciences.* [video; 48 minutes, color]**

This film surveys the history and culture of the Aztec Empire and the Spanish conquest, through contemporary accounts and images, maps, and modern scholarly commentaries. Part of the Ancient Civilization series.

***Exploration: Films for the Humanities and Sciences.* [video; 53 minutes, color]**

This film compares Chinese explorations under the Ming Dynasty with contemporary and later explorations by the Portuguese, Spanish, Dutch, French and English; and discusses why European explorations led to conquest and colonization, while the Chinese did not.

***Lost at Sea: the Search for Longitude: NOVA/WGBH Boston.* [video; 60 minutes, color]**

Richard Dreyfus narrates this docu-drama about the discovery of longitude by the English artisan John Harrison in the 18th century. Not to be confused with the cable network TV version of Dava Sobel's book, *Longitude*.

***Louis XIV, King of France:* <http://129.109.57.188/louisxiv.htm> [website]**

The definitive site for the reign of the Sun King. The site includes historical articles, a bibliography and illustrations.

***Mexico Online-Art Center:* <http://www.Mexicool.com/arts/> [website]**

This site includes information about Mexico before the coming of the Spanish and the text of W.H. Prescott's famous book on the Spanish conquest of Mexico.

***Missionaries and Mandarins: the Jesuits in China:* http://www.task.gda.pl/expo/vatican.exhibit/exhibit/i-rome_to_china/Jesuits_in_China.html [website]**

An exhibit of 16th and 17th century missionary manuscripts, translated Chinese classics and maps. Text translations and explanations.

***Peter the Great: Films for the Humanities & Sciences.* [video; 32 minutes, color]**

Historical commentaries, contemporary images and dramatic recreations are used to reconstruct the life and reign of Peter the Great. This film emphasizes and analyzes Peter's Westernization policies, his wars and the internal struggles of his reign.

***The Spanish Conquest of Mexico: Films for the Humanities & Sciences.* [video; 30 minutes, color]**

Two British professors analyze the military and cultural dimensions of the Spanish conquest, using contemporary art and artifacts, 3-D models, maps, and excerpts from Spanish and Aztec sources. From the Great Battles of History series.

***Three Worlds Meet, Origins 1620: Schlessinger Video Productions, 1996.* [video; 37 minutes, color]**

This film surveys human arrival in the Americas, the age of European exploration, and the Spanish conquests.