Chapter 21

The World Economy

OUTLINE

I. Introduction

After the 15th century, explorers from western Europe hacked out empires in the Americas and redefined the nature of international exchange. New areas of the world (regions of Africa, the Americas, and Polynesia) were brought into the system for the first time. The level of exchange between civilizations became so critical that it affected older political and cultural traditions. In some cases, areas of Asia and the Middle East began to emulate developments in the West. While many European nations became key agents in the world economy, and various regions came under European dominance, Asian economies remained strong.

Foods: The Americas provided important new foodstuffs for the world, such as the potato, though Asia and Africa adopted them widely before Europe did.

II. The West’s First Outreach: Maritime Power

A. Introduction

From the Middle Ages, people in the West were increasingly familiar with the luxury goods of Asia. Early European attempts to enter the world trade system suffered from ignorance of trade routes and hesitance to break the barrier presented by the Atlantic Ocean. Fear of the emergence of the Ottoman Empire and the declining supply of gold in the West spurred renewed efforts to discover routes to Asia. Initial successes in colonizing the islands just off the Atlantic coast of Africa offered encouragement, but technology did not permit more aggressive attempts to cross the open sea.

B. New Technology: A Key to Power

A number of technological developments made ocean passages possible. New ships designed for ocean traffic and to carry heavier weapons were built. The compass and improved mapmaking allowed for more proficient navigation for long voyages. The combination of gunpowder and advanced metallurgy led to the use of ship-borne artillery. Such weaponry was more sophisticated than that used in other civilizations.

C. Portugal and Spain Lead the Pack

A Portuguese prince, Henry the Navigator, initiated the first voyages of discovery along the Atlantic coast of Africa during the 15th century. By the end of the century, Portuguese sailors succeeded in sailing around the Cape of Good Hope at Africa’s southern tip. Vasco da Gama was the first Portuguese captain to successfully reach India in 1498. Other voyagers soon followed.
One such expedition headed to India was blown off course to Brazil. To protect their commercial interests, the Portuguese constructed a series of forts along the Atlantic coast of Africa and the Indian Ocean coast of India. By 1514, the Portuguese had reached as far as the islands of Indonesia and China. Another expedition reached Japan in 1542. Spanish colonial ventures began with the voyage of the Genoese captain Christopher Columbus in 1492. His early explorations of a direct western route to Asia led to the discovery of the Americas. Ferdinand Magellan sailed around the tip of South America into the Pacific. His ships reached Indonesia and claimed the Philippines for Spain. Portugal held trade forts in Africa and India; rights in Indonesia, China, and Japan; and Brazil as a result of early explorations. Spain claimed the Philippines and most of the Americas.

D. Northern European Expeditions

In the later 16th century, northern European nations became more active in sponsoring voyages of discovery. Utilizing lighter and faster vessels, the northern European nations concentrated on lands in the Americas north of the Spanish and Portuguese claims. French explorers first reached Canada in 1534 and pressed inland along the system of waterways to the Great Lakes and Mississippi River valley. England, in search of a northwest passage to Asia, instead established colonies along the Atlantic coast of North America. The Dutch soon rivaled the Portuguese in the Asian trade network. Their merchants succeeded in displacing the Portuguese from Indonesia. Dutch merchants also established a small way station on the southern tip of Africa. In the cases of the Dutch and English explorations and colonization, private companies played a major role. The Dutch East India Company and the British East India Company received monopolies from their respective governments, but financed their activities from privately raised capital.

III. Toward a World Economy

A. Introduction

Europe’s entry into the Atlantic and Pacific created an international exchange of goods, created a new worldwide economy including the Americas, and paved the way for the establishment of colonies.

B. The “Colombian Exchange” of Disease and Food

One of the negative aspects of the new trade system was the dissemination of European diseases such as smallpox and measles to the Americas and Polynesia. The indigenous peoples of these regions suffered massive population loss over a period of a century and a half. On a more positive basis, New World crops, particularly corn and potatoes, supported population growth in areas as diverse as China and Europe. European and Asian animals were introduced into the Americas, which had previously lacked animal power.

C. The West’s Commercial Outreach

The ability of the West to dominate the seas allowed Western merchants to displace others from the world trade system. Internal or regional trade remained in the hands of Asian or Muslim merchants, but transoceanic voyages were the monopoly of Europeans. Control of the sea lanes improved Europe’s profits from trade. Dominance at sea was the result of military and technological advances that made European navies more powerful than the fleets of other civilizations. Initially, Europeans did not seize much territory as part of their trading initiative but limited their incursions to fortified trading posts along the coasts of Africa, India, and the
D. Imbalances in World Trade

The earliest of the colonizers, Spain and Portugal, declined in the face of later competition from England, France, and Holland. These nations exported manufactured goods in return for raw materials to expand their profit margins. Relations with colonies were affected by the policies of mercantilism, which were crafted to benefit the colonizers. Outside of the core region of Europe lay areas that were economically dependent on the world trade system. These regions produced commercial crops, sugar, spices, tobacco, cotton, and slaves in return for the manufactured products of Europe. The construction of core and dependent areas was critical in the formation of the world trade system.

E. A System of International Inequality

The division into core and dependent areas lasted until the 20th century in many cases. Even in dependent areas, however, some were able to take advantage of local trade to grow rich. Some areas of the Americas and Africa managed to remain outside the world trade system for centuries. Nevertheless, in most regions the advantages of trade lay with the merchants of the European core. Involvement in the world trade system increasingly involved dependent regions that relied on coercive labor. In the Americas, the economy of Latin America, the Caribbean, and the southern British colonies relied on the importation of African slaves. Also in Latin America, many of the indigenous peoples were brought into an estate system that was able to extract labor. Both in the mines and plantation economies of the Americas, coercive labor systems were common. Similar structures existed in the spice plantations of Southeast Asia and the cotton plantations of India. Forced labor and European control of exchange resulted in weaker colonial governments with limited tax revenues.

F. How Much World in the World Economy?

Huge areas of the world remained outside the trade system and retained indigenous economies with little incentive for rapid technological change or the consumption of manufactured products. East Asia largely remained outside the world trade system. China simply ignored European trade in favor of the continuation of its traditional reliance on an internal system of exchange. With the exception of some copies of European firearms, the Chinese kept the Europeans at arms’ length until the 18th century. Japan initially showed some interest in trade with Europe, but quickly reversed course. From the 17th until the 19th century, Japan’s rulers maintained isolation except for the single Dutch enclave near Nagasaki. The Ottoman, Safavid, and Mughal Empires within the Islamic world similarly limited European merchants to enclaves within their cities. Russia’s trade was oriented toward Central Asia. Much of Africa, with the exception of the slave-trading kingdoms, remained outside the orbit of European trade.

G. The Expansionist Trend

Over time, the world trade system expanded. Areas of Southeast Asia and India were brought into the system on a more complete basis in the 18th century. Both the British and French East India Companies regarded India as suitable for incorporation as a dependent region and a producer of cotton. Britain passed tariffs to prohibit the importation of Indian cotton cloth and suppress the development of manufacturing in South Asia. In this fashion, India was slowly
introduced to the world trade system as a supplier of raw materials for the looms of Britain. Eastern Europe was drawn into the western European market system as a supplier of grain to feed the growing cities of the West. In return, Western-manufactured goods began to infiltrate eastern Europe.

IV. Colonial Expansion

A. Introduction

The Western control of the seas permitted Europeans to achieve dominance over a variety of cultures and peoples. Most colonies were immediately reduced to dependent status within the world trade system. Western leaders fostered colonialism as a means of creating controlled markets for manufactured goods.

B. The Americas: Loosely Controlled Colonies

Colonization in the Americas, where Europeans enjoyed enormous technological advantages, was particularly attractive. The Spanish seizure of lands in the New World began with the Caribbean islands then moved to the Central American mainland in 1509. A small expedition succeeded in conquering the Aztec Empire. In South America, the Spaniards defeated the Incas in 1531. Portugal’s colonial expansion in Brazil proceeded at a slower pace until the wealth of the interior became more readily apparent. Colonial administrations were established by small groups of adventurers loosely controlled from the mother countries. As agricultural settlements were made, more formal administrative structures were put in place. Aggressive conversion of Native Americans to Catholicism provided another layer of administration. France, Britain, and Holland established colonies in North America somewhat after the foundation of settlements in Central and South America.

C. British and French North America: Backwater Colonies

The colonies that more fully adopted Western institutions and culture were located in British and French North America. As late as the 18th century, European nations remained largely disinterested in the Atlantic colonies because they supplied less valuable raw materials than plantation colonies. Although the southern British colonies of the Atlantic coast did develop plantation economies, coercive labor systems, and patterns similar to the Caribbean and Latin America, as a whole, the North American colonies were of less economic value than their Latin American counterparts. More heavily settled than other areas, the British colonies were closer to European models of government, religion, and political theory. With less direct intervention on the part of the mother countries, the Atlantic colonies produced their own merchant class and engaged in international trade. British attempts to regulate colonial trade came late in the 18th century and contributed to rebellion. Atlantic colonists remained abreast of European intellectual movements, such as the Enlightenment. As a whole, the colonists thought of themselves as part of the European world. Denser settlement led to almost total elimination of the indigenous populations of the Atlantic colonies. European immigration produced a corresponding Native America emigration to the plains. Colonists did not intermarry extensively with indigenous groups, as had occurred in Latin America. In plantation economies, colonists imported African slaves. Interaction with African culture was a characteristic that separated the colonies from the culture of the mother countries.
D. North America and Western Civilization

Colonists reproduced in North America most of the patterns of Western culture. Nuclear families remained the norm. American households tended to be more child-centered as a result of their dependence on young laborers. As the frontiers moved westward, household formation and family patterns more closely approximated the European norms. Even in rebellion, colonists after 1776 couched their resistance in European political theories. Diversities arose between the plantation colonies of the American south and the more mercantile colonies of the north. Canada was originally founded as a French colony, but the region was ceded to the British in the Treaty of Paris of 1763. Relations between the original French colonists and new British settlers were strained. The 13 American colonies of the Atlantic coast all developed representative institutions. Economic equality was greater in the colonies than in Europe, and there was no formal aristocracy. Greater density of population, a sense of political independence from the mother countries, and a sense of identity contributed to the colonial rebellion of 1776.

E. Africa and Asia: Coastal Trading Stations

Although most of the European colonization of Africa was limited to coastal fortification, two more intrusive settlements were attempted by the Portuguese in Angola and the Dutch on the Cape of Good Hope. Dutch settlers fanning out from the trade station created the Cape Colony. Their expansion brought them into conflict with indigenous peoples such as the Bantus. In most cases, climate and the prevalence of disease caused Europeans to limit their interests in Africa until the 19th century. Actual colonial ventures in Asia were also limited. The Spanish colonized the Philippines and the Dutch controlled the islands of Indonesia. Few Europeans ventured to these settlements. After 1700 Britain and France began to contest control of the potentially valuable trade with India. Following the decline of the Mughal rulers, the French and British East India Companies were able to construct trade forts along the coasts of the subcontinent. The close cooperation of the British East India Company with the English government, its access to sea power, and its control of the Ganges River valley from Calcutta tilted the contest in favor of the British. Outright war between the military forces of the two companies broke out during the Seven Years’ War. In this conflict, the British emerged as winners and expelled the French from India. British military influence soon extended to the island of Ceylon, as well. In the late 18th century, the British government took over the administration of India from the East India Company. The administration operated through a series of alliances and agreements with indigenous rulers. Economically, India was drawn into the world trade system. Nascent manufacturing centers were discriminated against by British tariffs in order to reduce India to economic dependency. Few Europeans other than government administrators, military units, and missionaries settled in Asia. Latin America drew more settlers from Spain and Portugal, who often intermarried with the local population, but Europeans remained a small minority of the total population.

F. Impact on Western Europe

European nations fought many wars over colonial possessions. Colonial production of sugar permitted its use to become widespread among all classes in Europe. Profits from trade were put into manufacturing and provided a tax base for larger governments and larger militaries.
G. The Impact of a New World Order

The creation of a world economy largely dominated by the West was a major shift in history. Unfree labor came to play a major role in Latin America and Eastern Europe, with the slave trade disrupting West Africa. But non-Europeans also benefited, with increased profits for merchants. This economy increased contacts around the world.

V. Global Connections: The World Economy – And the World

Although Europe saw its power and wealth grow in this period, it did so in the context of a complex world, and other regions were not passive. Even conquered regions like Latin America adapted European culture to their own needs.
TIMELINE

Insert the following events into the timeline. This should help you to compare important historical events chronologically.

- Dutch establish colony in southern Africa
- Portuguese exploration of African coast begins
- First Spanish colony on American mainland
- Vasco da Gama reaches India
- French settlement in Canada
- French-British wars in India begin

1434
1497
1509
1608
1652
1744

TERMS, PEOPLE, EVENTS

The following terms, people, and events are important to your understanding of the chapter. Define each one.

- Henry the Navigator
- Christopher Columbus
- Cape of Good Hope
- Ferdinand Magellan
- World economy
- Battle of Lepanto
- Dependent economic zones
- Mestizos
- Vasco de Balboa
- Francisco Pizarro
- Cape Colony
- Boers
- New France
- Atlantic colonies
- Vasco da Gama
- British East India Company
- Core nations
- Coercive labor systems
- Colombian exchange
- Calcutta
- Treaty of Paris
MAP EXERCISE

The following exercise is intended to clarify the geophysical environment and the spatial relationships among the important objects and places mentioned in the chapter. Locate the following places on the map.

Mark all Spanish ports and colonies with an S, Portuguese ports and colonies with a P, Dutch ports and colonies with a D, English ports and colonies with an E, and French ports and colonies with an F.

Which of the European nations established the most widespread colonial possessions? What is the difference between the European trading empires and those earlier trade systems of the Muslims or the Chinese? You may wish to consult earlier chapters for the extent of the Cheng Ho voyages and the postclassic Muslim trade system. Consider what bodies of water had to be crossed in each case.
MAKING CONNECTIONS

The following questions are intended to emphasize important ideas within the chapter.

1. What technological innovations made the global dominance of the West possible?
2. Describe the early exploration of the world by the West.
3. What was the Colombian exchange?
4. Define the terms core area and dependent zone.
5. What areas remained outside the new global economy prior to 1600? What areas were added in the 17th and 18th centuries?
6. How did British and French North America differ from other European colonies?
7. What were the results of the creation of a world economy?
8. How did non-European peoples respond to European expansion?

PUTTING LARGER CONCEPTS TOGETHER

The following questions test your ability to summarize the major conclusions of the chapter.

1. In what ways did the creation of a global economy in the 16th and 17th centuries differ from the previous trade networks that had existed between civilizations (for example, the Islamic trade system)?
2. What accounts for the ability of the West to establish its dominance in the global trade network of the seventeenth century?
SELF-TEST OF FACTUAL INFORMATION

1. After 1450, the West
   a. engaged in the construction of a regional trading economy.
   b. controlled a growing volume of international trade.
   c. opened up Asia for Western dominance.
   d. lagged behind the Ottoman Empire in the development of global trade.

2. Prince Henry the Navigator
   a. invented the astrolabe.
   b. discovered Brazil.
   c. rounded the Cape of Good Hope and eventually sailed to India.
   d. directed a series of expeditions along the African coast and outward to the Azores.

3. The first Portuguese fleet to reach India arrived in
   a. 1492.
   b. 1498.
   c. 1509.
   d. 1588.

4. Why did the initiative in early conquest and exploration pass to northern European nations in the later 16th century?
   a. Spain and Portugal were defeated in a critical war with the Ottoman Empire.
   b. The Dutch and British improved the design of seagoing vessels, producing faster ships than their Iberian rivals.
   c. Famine and disease catastrophically reduced Iberian populations after 1588.
   d. The victory of the Spanish Armada over England forced that nation to seek new markets in the Atlantic.

5. Which of the following statements most accurately describes the impact of European conquest on the indigenous peoples of North America?
   a. The arrival of the Europeans increased the total population of the Americas without diminishing native populations.
   b. After initial decreases associated with losses in battle, indigenous populations recovered.
   c. European immigration caused a slight drop in population growth among indigenous peoples.
   d. Native American population was devastated by the introduction of European diseases.

6. Which of the following statements accounts for the Spanish failure to hold a position of dominance in world trade?
   a. The Spanish monarchy established a policy of isolation in the 17th century.
   b. The Catholic Church argued against the establishment of a commercial mentality in Spain.
   c. Spain’s interests were increasingly directed toward the conquest of the Ottoman Empire.
   d. Spain’s internal economy was not sufficient to accommodate the bullion from the New World, and the Iberian nation lacked manufacturing capabilities.
7. Which of the following areas did NOT have predominantly coercive labor systems?
   a. Latin America
   b. the southern Atlantic colonies of North America
   c. northwestern Europe
   d. eastern Europe

8. Which of the following statements concerning the relationship between Asian civilizations and the world commercial network of the 16th and 17th centuries is NOT accurate?
   a. Asian civilizations had ample political strength and economic sophistication to avoid dependent status.
   b. East Asia constituted the region that remained most consciously external to the world economy.
   c. China depended on extensive government regulation to keep European activities in check.
   d. China was able, thanks to the existence of its coastal navy, to prevent the establishment of European ports.

9. What was the primary export product of eastern Europe to the West?
   a. domestic animals
   b. grain
   c. cotton cloth
   d. iron

10. In Asia, significant conversion to Christianity
    a. occurred only in the Philippines.
    b. was limited to the Dutch holdings in Indonesia.
    c. happened wherever the Westerners were able to establish colonies.
    d. failed to occur anywhere.