

A trading post in the West Indies thrives in the mid-1500s; a powder horn is inscribed with North American fur trading routes.

WITNESS HISTORY AUDIO

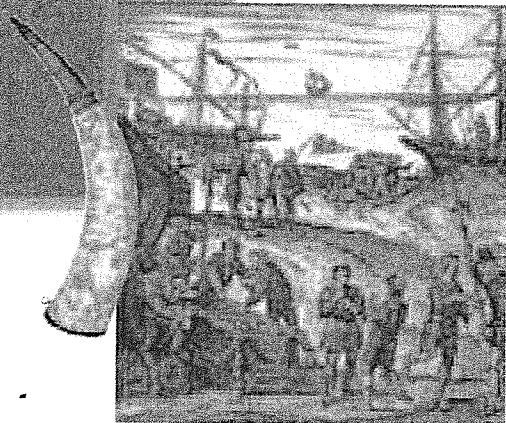
Uniting the World

“The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another’s wants, to increase one another’s enjoyments, and to encourage one another’s industry, their general tendency would seem to be beneficial.”

—Adam Smith, *The Wealth of Nations*, 1776

Focus Question How did the voyages of European explorers lead to new economic systems in Europe and its colonies?

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Effects of Global Contact

Objectives

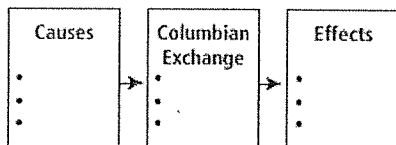
- Explain how European exploration led to the Columbian Exchange.
- Analyze the commercial revolution.
- Understand the impact that mercantilism had on European and colonial economies.

Terms, People, and Places

- | | |
|--------------------|--------------|
| Columbian Exchange | entrepreneur |
| inflation | mercantilism |
| price revolution | tariff |
| capitalism | |

Note Taking

Reading Skill: Recognize Sequence Create a flowchart like the one below to keep track of the events that resulted from global exchange in the 1500s and 1600s.



The voyages of exploration in the 1500s and 1600s marked the beginning of what would become European domination of the globe. By the 1700s, European exploration had brought major changes to the people of Europe, Asia, Africa, and the Americas.

The Columbian Exchange

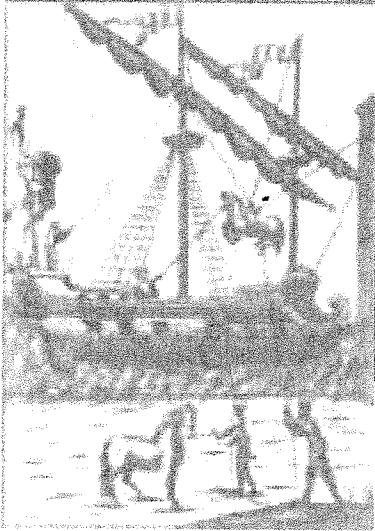
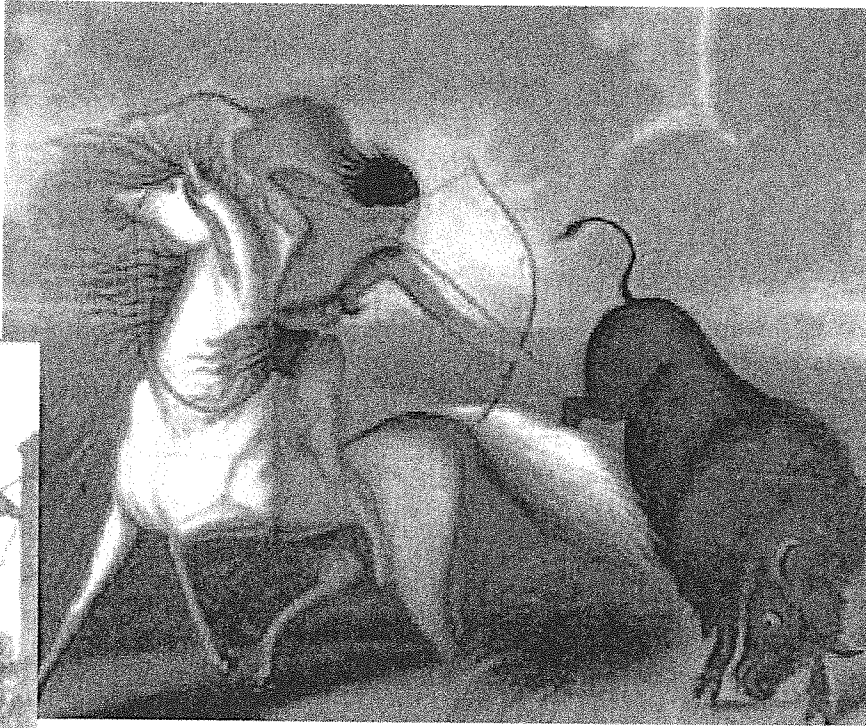
When Columbus returned to Spain in March 1493, he brought with him plants and animals that he had found in the Americas. Later that year, Columbus returned to the Americas with some 1,200 settlers and a collection of European animals and plants. In this way, Columbus began a vast global exchange that would profoundly affect the world. Because this exchange began with Columbus, we call it the Columbian Exchange.

New Foods and Animals In the Americas, Europeans found a variety of foods that were new to them, including tomatoes, pumpkins, peppers. They eagerly transported these to Europe. Two of these new foods, corn and potatoes, became important foods in the Old World. Easy to grow and store, potatoes helped feed Europe’s rapidly growing population. Corn spread all across Europe and to Africa and Asia, becoming one of the world’s most important cereal crops.

Europeans also carried a wide variety of plants and animals to the Americas, including wheat and grapes from Europe and bananas and sugar cane from Africa and Asia. Cattle, pigs, goats, and chickens, unknown before the European encounter, joined the Native American diet. Horses and donkeys transported people and goods quickly. Horses also provided the nomadic peoples of western North America with a new, more effective way to hunt buffalo.

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Horses Transform a Continent
The Spanish brought horses to the Americas by ship (below). A Spanish saying went "After God, we owe the victory to the horses." Horses also dramatically affected Native American life. An artist painted this scene of Plains Indians in 1830. *How does the artist show the importance of the horse to Native American life and culture?*



The Global Population Explodes The transfer of food crops from continent to continent took time. By the 1700s, however, corn, potatoes, manioc, beans, and tomatoes were contributing to population growth around the world. While other factors help account for the population explosion that began at this time, the dispersal of new food crops from the Americas was certainly a key cause.

The Columbian Exchange also sparked the migration of millions of people. Each year shiploads of European settlers sailed to the Americas, lured by the promise of a new life in a land of opportunities. Europeans also settled on the fringes of Africa and Asia, places made known to them because of exploration. In addition, as you have read, the Atlantic slave trade forcibly brought millions of Africans to the Americas.

In some parts of the world, populations declined as a result of increased global contact. The transfer of European diseases, such as smallpox and measles, decimated many Native American populations. Other populations were wiped out as a result of conflicts.

✓ **Checkpoint** Why did the global population explode?

A Commercial Revolution

The opening of direct links with Asia, Africa, and the Americas had far-reaching economic consequences for Europeans and their colonies.

The Price Revolution Strikes In the 1500s, prices began to rise in many parts of Europe. At the same time, there was much more money in circulation. A rise in prices that is linked to a sharp increase in the amount of money available is called inflation. The period in European history when inflation rose rapidly is known as the price revolution. Inflation

Vocabulary Builder

dispersal—(dih SPUR sul) *n.* scattering; spreading of

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was fueled by the enormous amount of silver and gold flowing into Europe from the Americas by the mid-1500s.

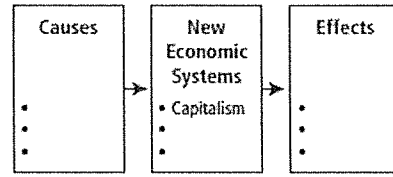
Capitalism Emerges Expanded trade, an increased money supply, and the push for overseas empires spurred the growth of European capitalism, or an economic system in which most businesses are owned privately. Entrepreneurs, or people who take on financial risk to make profits, were key to the success of capitalism. Entrepreneurs organized, managed, and assumed the risks of doing business. They hired workers and paid for raw materials, transport, and other costs of production.

As trade increased, entrepreneurs sought to expand into overseas ventures. Capitalists, because of their resources, were more willing to take risks. Thus, the price revolution of the early modern age gave a boost to capitalism. Entrepreneurs and capitalists made up a new business class devoted to the goal of making profits. Together, they helped change local European economies into an international trading system.

Exploring New Business Methods Early European capitalists discovered new ways to create wealth. From the Arabs, they adapted methods of bookkeeping to show profits and losses from their ventures. During the late Middle Ages, as you have read, banks increased in importance, allowing wealthy merchants to lend money at interest. Joint stock companies, also developed in late medieval times, grew in importance. They allowed people to pool large amounts of capital needed for overseas ventures. Individuals who invested in these companies could join in any profits that the company made. If the company lost money, individuals would only lose their initial investments.

Note Taking

Recognize Sequence Use a flowchart like this one to keep track of the sequence of events that led to new global economic systems.



TULIPMANIA

The Boom of the 1630s

In the 1630s, frenzy over a single good—the tulip—took hold in the Netherlands. People made and lost fortunes as the price of tulips rose from a handful of change to over a million dollars, only to abruptly crash. At the height of the mania, it was actually cheaper to purchase a painting of tulips by a Dutch master than to buy one tulip bulb.



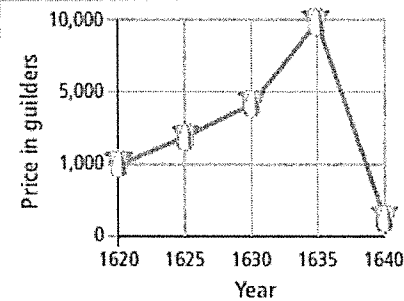
Prices in Holland, 1630s

150 guilders	Average annual income
5,000 guilders	Price for a still-life painting of tulips by a Dutch master
10,000 guilders	Cost of a luxurious Amsterdam estate house

(Note: 100 guilders = approx. \$12,500 in U.S. dollars today)

Joannes Busschaert painted *Still Life of Tulips, Roses, Fruit, and Shells* in the early 1600s. A tulip bulb with its flower is shown at right.

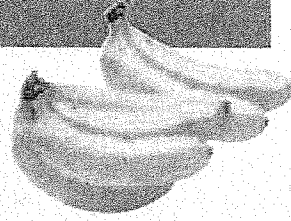
Price of a Single Tulip Bulb



SOURCE: *The Tulip*, 1999

Who Loses in a Trade War?

In the 1990s, a trade war over bananas broke out between the United States and the European Union. The European Union wanted to buy bananas from small banana growers in its former colonies in Africa and the Caribbean. The United States, wanting to assist large South and Central American banana growers, responded by heavily taxing common European imports. In 2001, an agreement was reached that ended the trade war. *Critical Thinking* In a trade war, who are the winners and losers?



Everyone Wins

"The discrimination of the current illegal system is eliminated because all applicants will be treated equally and each applicant gains market access in the same proportion . . . Dole believes that this system will benefit those banana exporters that invest in the jobs, people, countries and infrastructure that it takes to grow markets, open trade and compete. . . ."

—Dole Food Company press release, 2001

The Less Powerful Lose

"St. Lucia continues to be concerned that the thrust towards allowing market forces to totally determine the scope, structure and outcomes of economic activity, is not being counterbalanced by mechanisms to fairly distribute welfare gains and to protect the more vulnerable, small states like Saint Lucia, from the consequences of market failure. . . ."

—Earl Huntley, ambassador of Saint Lucia, in a statement to the UN, 2001

Bypassing the Guilds The growing demand for goods led merchants to find ways to increase production. Traditionally, guilds controlled the manufacture of goods. But guild masters often ran small-scale businesses without the capital to produce for large markets. They also had strict rules regulating quality, prices, and working conditions.

Enterprising capitalists devised a way to bypass the guilds called the "putting-out" system. It was first used to produce textiles but later spread to other industries. Under this system, for example, a merchant capitalist distributed raw wool to peasant cottages. Cottagers spun the wool into thread and then wove it into cloth. Merchants bought the wool cloth from the peasants and sent it to the city for finishing and dyeing. Finally, the merchants sold the finished product for a profit.

The "putting-out" system, also known by the term "cottage industry," separated capital and labor for the first time. In the 1700s, this system would lead to the capitalist-owned factories of the Industrial Revolution.

✓ **Checkpoint** How did the "putting-out" system work?

Mercantilism Arises

European monarchs enjoyed the benefits of the commercial revolution. In the fierce competition for trade and empire, they adopted a new economic policy, known as mercantilism, aimed at strengthening their national economies. Mercantilists believed that a nation's real wealth was measured in its gold and silver treasure. To build its supply of gold and silver, they said, a nation must export more goods than it imported.

The Role of Colonies To mercantilists, overseas colonies existed for the benefit of the parent country. They provided resources and raw materials not available in Europe. In turn, they enriched a parent country by

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serving as a market for its manufactured goods. To achieve these goals, European powers passed strict laws regulating trade with their colonies. Colonists could not set up their own industries to manufacture goods. They were also forbidden to buy goods from a foreign country. In addition, only ships from the parent country or the colonies themselves could be used to send goods in or out of the colonies.

Increasing National Wealth Mercantilists urged rulers to adopt policies that they believed would increase national wealth and government revenues. To boost production, governments exploited mineral and timber resources, built roads, and backed new industries. They imposed national currencies and established standard weights and measures.

Governments also sold monopolies to large producers in certain industries as well as to big overseas trading companies. Finally, they imposed tariffs, or taxes on imported goods. Tariffs were designed to protect local industries from foreign competition by increasing the price of imported goods. All of these measures led to the rise of national economies, in which national governments had a lot of control over their economies. However, modern economists debate whether mercantilist measures actually made nations wealthier.

Impact on European Society By the 1700s, European societies were still divided into distinct social classes. Merchants who invested in overseas ventures acquired wealth, while the price revolution hurt nobles, whose wealth was in land. Economic changes took generations, even centuries, to be felt by the majority of Europeans, who were still peasants. The merchants and skilled workers of Europe's growing cities thrived. Middle-class families enjoyed a comfortable life. In contrast, hired laborers and those who served the middle and upper classes often lived in crowded quarters on the edge of poverty.

✓ **Checkpoint** How did economic changes affect different Europeans?

A Dutch Merchant Family

Dutch artist Adriaen van Ostade painted this scene of a Dutch family in the mid-1600s. With the Netherlands' trading wealth, even middle-class families could afford fine clothes, luxury goods, and paintings.



Progress Monitoring Online

For: Self-quiz with vocabulary practice
Web Code: naa-1551

5 Assessment

Terms, People, and Places

1. For each term, person, or place listed at the beginning of the section, write a sentence explaining its significance.

Note Taking

2. **Reading Skill: Recognize Sequence**
Use your completed flowcharts to answer the Focus Question: How did the voyages of European explorers lead to new economic systems in Europe and its colonies?

Comprehension and Critical Thinking

3. **Identify Point of View** How might a Native American assess the impact—both positive and negative—of the Columbian Exchange?
4. **Draw Inferences** What characteristics must a society have in order for capitalism to be possible?
5. **Identify Assumptions** What basic assumption did mercantilists hold about their colonies?
6. **Synthesize Information** Why did the economic changes of the time have little impact on many Europeans?

Writing About History

Quick Write: Write the Body and Conclusion The body of a compare-and-contrast essay should include specific evidence to support your thesis. Suppose that you are comparing the effects of global contact on European merchants and European peasants. Find evidence in this section that you can use to make this comparison.

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