2016-07-11 Slides from the PowerPoint presentation on the age of 'merchant capitalism' in Europe

Merchant capitalism

Definition: a merchant is someone who buys and sells goods made by other people in order to make a profit, and/or lends money to make this possible.

Marx describes **merchant capitalism** as having two aspects:

- **Money - dealing capitalism** – profits are made by lending money for interest
- **Commercial capitalism** – profits are made from buying and selling goods

Production or industrial capitalism is different – here profits are made in the production of commodities through exploiting workers.

Capital is wealth that has the potential to create more wealth

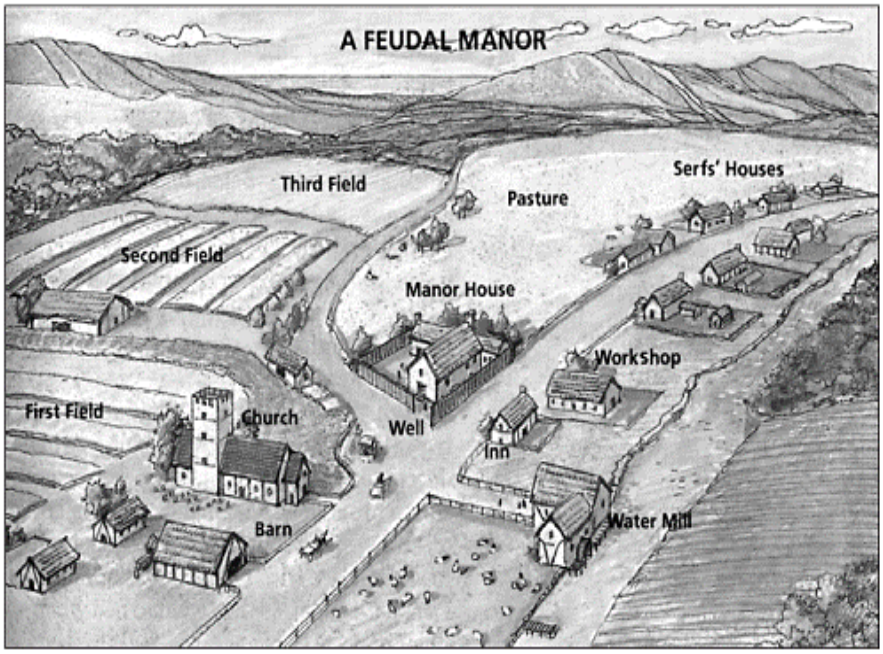
Merchant capitalism has emerged over large parts of the world, over many centuries, and can operate within different modes of production – slavery, feudalism, etc. Merchant capitalism developed in the Islamic world from the 800s and in Europe from 1100s. It lasted into the 1800s.

In Western Europe merchant capitalism gave rise to industrial capitalism as a social and economic system.

Reminder – production and trade under feudalism

Towns: guilds of craftsmen who owned their own tools. Production of hand-made goods was controlled to keep up prices, which were fixed. So guilds controlled a small market for the things they produced. Competition between producers was eliminated.

Countryside: lords owned the land and serfs worked it

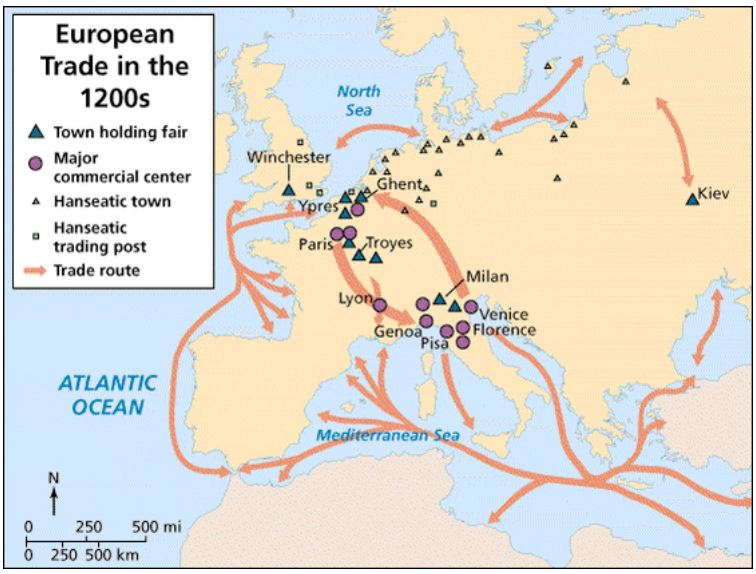


Source: Michael B. Petrovich et al., *People in Time and Place: World Cultures*, Silver, Burdett & Ginn, 1991

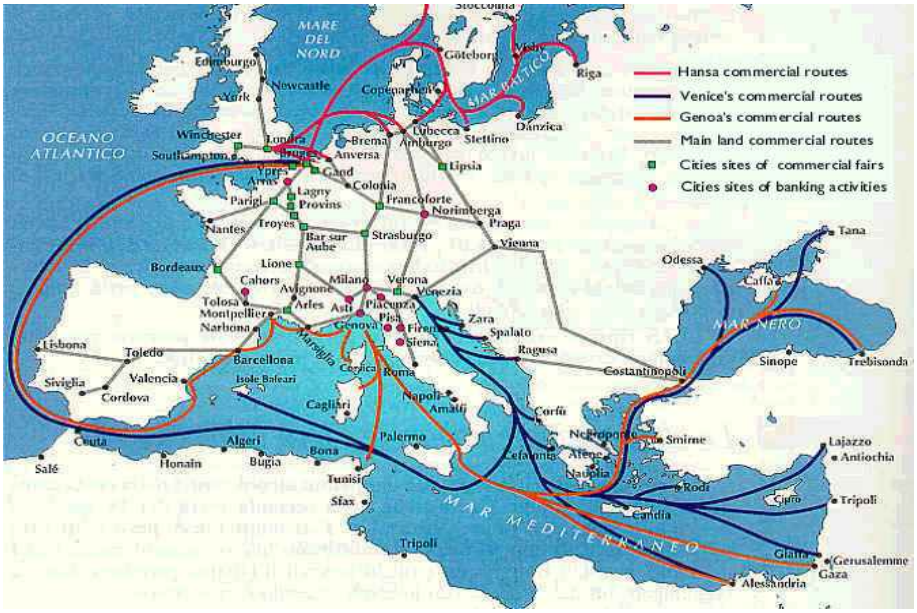
There was some local exchange of goods between towns and country: towns provided finished goods like clothes, shoes, utensils. Land produced food. Most of what serfs produced was used for immediate consumption.

Exchange was quite local – “feeble development of money exchange”. Trade did not go beyond small regions and was limited because of small surpluses produced, if any.

With the development of Merchant Capitalism, trade began to move beyond local regions ….



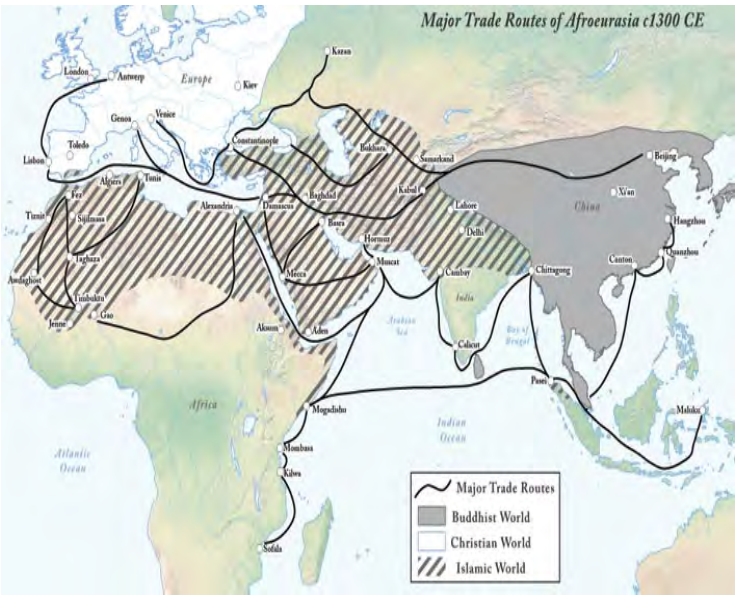
From around 1300 CE there was a rapid expansion of trade between Europe and the East (China and India). The Europeans imported spices, silk and cotton textiles, velvet, perfumes, carpets, dyes, etc). The Italian cities of Venice and Genoa formed the hub. They sent ships to the East for goods, and then sent these on to markets in other parts of Europe. The Black Sea was an important point of exchange for goods moving from the East into Europe.

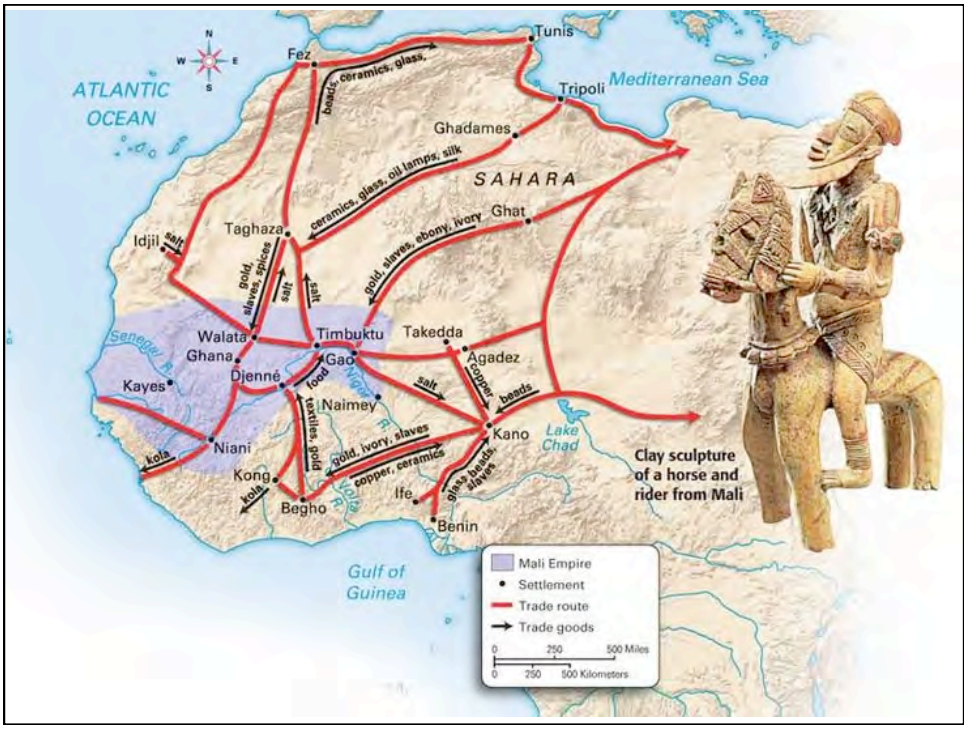

Hansa commercial routes
Venice's commercial routes
Genoa's commercial routes
Main land commercial routes
Cities sites of commercial fairs
Cities sites of banking activities
MARE DEL NORD
OCEANO ATLANTICO
MAR BALTICO
MAR NERO
MAR MEDITERRANEO
Edimburgo
York
Newcastle
Copenaghen
Göteborg
Visby
Riga
Danzica
Stettino
Lubecca
Amburgo
Brema
Anversa
Bruges
Gand
Ypres
Arras
Lagny
Provins
Parigi
Colonia
Francoforte
Norimberga
Praga
Vienna
Lipsia
Winchester
Southampton
Londra
Nantes
Troyes
Bar sur Aube
Strasburgo
Bordeaux
Lione
Cahors
Avignone
Milano
Verona
Venezia
Tolosa
Montpellier
Narbona
Arles
Asti
Piacenza
Pisa
Genova
Firenze
Siena
Zara
Spalato
Ragusa
Marsiglia
Lisbona
Toledo
Valencia
Siviglia
Cordova
Barcellona
Isole Baleari
Corsica
Roma
Napoli
Amalfi
Cagliari
Palermo
Corfù
Costantinopoli
Odessa
Caffa
Tana
Sinope
Trebisonda
Smirne
Lajazzo
Antiochia
Ceuta
Salé
Algeri
Bona
Bugia
Tunisi
Sfax
Tripoli
Candia
Rodi
Cipro
Tripoli
Gaza
Gerusalemme
Alessandria


SAAMI
KVENLAND KARELIA
FINNS
NORWAY
SVEALAND
Uppsala
GOTALAND
DENMARK
SCANIA
Hedeby
LIVONIA
KURLAND
Ladoga
Beloozero
Novgorod
RUS' STATES
VOLGA BULGARIA
Bulgar
KIPCHAKS
POLAND
GERMANY
Chernigov
Kiev
KHAZAR KHAGANATE
MAGYARS
PECHENEGS
Sarkel
Atil
CROATIA
Kerch
Tana
Tmutarakan
Samandar
Balanjar
Derbent
OGHUZ
ITALY
Rome
Cherson
Constantinople
Tiflis
Baku
BYZANTINE EMPIRE
ABBASID CALIPHATE
SAMANID EMIRATE

In 1453 an event took place which changed the course of history. The Ottomans conquered Constantinople, which was the capital of the Roman Empire. The name of Constantinople was changed to Istanbul.

This conquest resulted in the collapse of major trade routes through Europe to the East. So another way had to be found to the East.


Major Trade Routes of Afroeurasia c1300 CE
Europe
Africa
China
India
Atlantic Ocean
Indian Ocean
Major Trade Routes
Buddhist World
Christian World
Islamic World

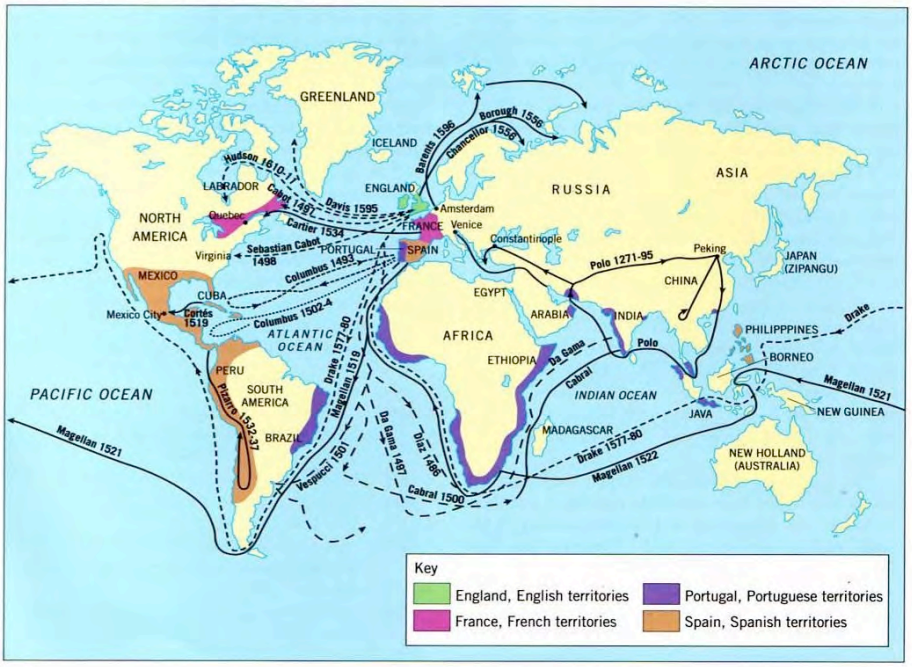

ATLANTIC OCEAN
Mediterranean Sea
SAHARA
Tunis
Fez
Tripoli
Ghadames
Ghat
Taghaza
Idjil
Walata
Timbuktu
Takedda
Agadez
Ghana
Gao
Djenné
Kayes
Naimey
Niani
Kano
Lake Chad
Kong
Begho
Ife
Benin
Gulf of Guinea
Senegal R.
Niger R.
Volta R.
ceramics, glass
bauxite
ceramics, glass, oil lamps, silk
gold, slaves, ebony, ivory
gold, slaves, spices
salt
food
textiles, gold
copper, beads
gold, ivory, slaves
copper, ceramics
glass beads, slaves
kola
Clay sculpture of a horse and rider from Mali
Mali Empire
Settlement
Trade route
Trade goods
0 250 500 Miles
0 250 500 Kilometers


Trade Routes: Africa, Asia, Europe 1500
ASIA
EUROPE
AFRICA
SAHARA
EGYPT
CHINA
INDIAN OCEAN
ATLANTIC OCEAN
PACIFIC OCEAN
Bruges
Kiev
Venice
Constantinople
Tunis
Baghdad
Balkh
Hormuz
Beijing
Hangzhou
Timbuktu
Takedda
Aden
Calicut
Malacca
Mogadishu
Kilwa
Sofala
Arabian Peninsula
Trade Routes
Indian Ocean
Mediterranean Sea
Silk Roads
Trans-Arabia
Trans-Sahara


Belgium
Germany
Prague
Czech Rep
Paris
Munich
Vienna
Slovakia
Austria
France
Bay of Biscay
Hungary
Moldova
Romania
Croatia
Serbia
Bulgaria
Italy
Rome
Tyrrhenian Sea
Madrid
Spain
Black Sea
Georgia
Caspian Sea
Azerbaijan
Greece
Turkey
Algiers
Tunis
Tripoli
Mediterranean Sea
Syria
Lebanon
Israel
Jordan
Iraq
Tehran
Isfahan
Algeria
Libya
Egypt
Saudi Arabia
Mali
Niger
Chad
Sudan
Eritrea
Yemen
Burkina
N'Djamena
Gulf of Aden
Kyiv
Kharkiv
Ukraine
POWERED BY
Google
SCRIBBLE MAPS

Alternative routes to the East were sought through the “voyages of discovery” to the Americas and the East

Map 18.1 World Exploration, 1271–1295; 1486–1611.



The trade routes to the Americas and the East generated vast profits for merchants, who bought goods very cheaply from what became the colonies and sold them for high prices in Europe. Importing of cheap silver from Mexico and Peru allowed for a rapid expansion in the circulation of money in Europe.

The money economy (using **money for exchange**: for example selling surplus agricultural produce for money, and using this money to buy other goods) expanded rapidly.

The immense wealth flowing into Europe strengthened the position of the merchant class, who became a strong support base for the monarchy.

The monarchs supported the merchant bourgeoisie because of the wealth they provided through taxes, customs levies and loans.

The merchant bourgeoisie supported the monarchy because:

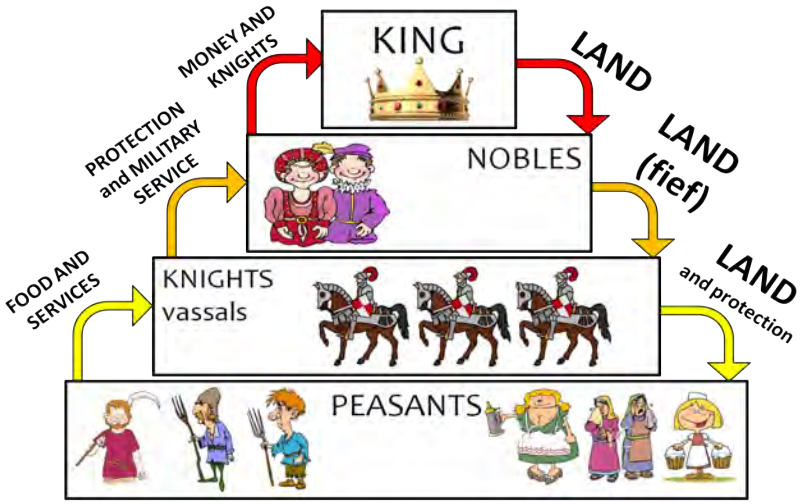
- the monarchs could raise armies and navies to enforce monopolies on trade and fight wars to protect these monopolies. These armies and navies could also protect ships and cargoes against pirates and other warring nations.

- Monarchs supported "voyages of discovery" which led to colonisation.

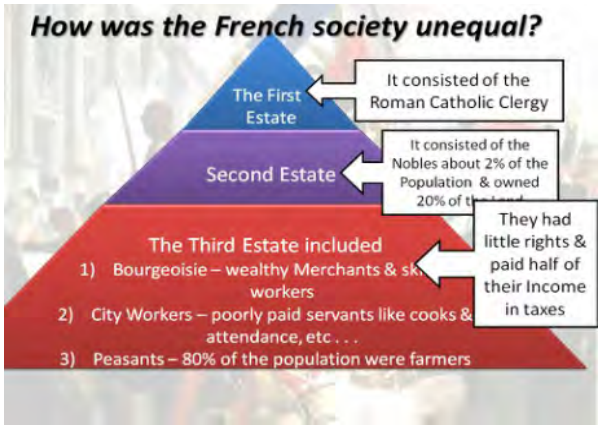
- monarchs also assisted in the creation of joint-stock companies such as the Dutch East India Company to which monarchs granted trade monopolies and outsourced territorial control in the colonies.

The growing strength of the merchant bourgeoisie went hand in hand with the **centralisation of the monarchy.**

A strong monarchy was able to overcome the fragmentation of feudalism and assist in creating greater markets and free movement of goods.



Feudal Pyramid of Power



Consequences of the domination of merchant capital

- **Pauperisation of people on land and towns**. Between early 1500 and late 1600 real wages had fallen by nearly a half. Massive enrichment of merchant bourgeoisie was accompanied by drastic decline in living standards of peasantry, craftsmen and workers.

- Feudal lord's lust for money led those in England and Italy to **replace corvee for money rent**. Serfs became transformed into peasants who rented land for cash. Poor peasants became dispossessed.

- The **enclosure system**, and the seizing of communal grazing lands, pushed poor peasantry into the towns.

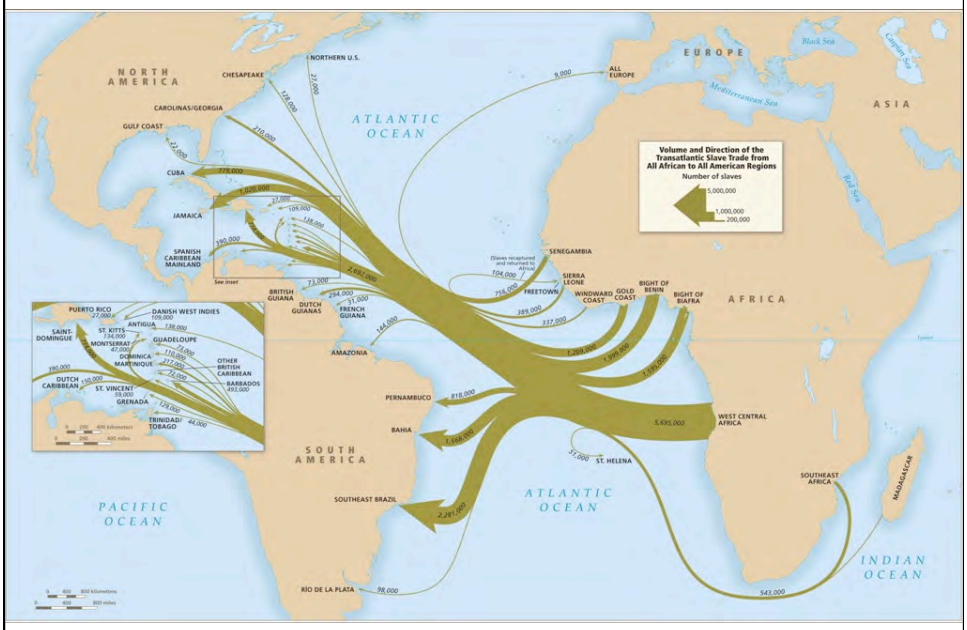
- **Producers (peasants on the land and handicraftsmen in the towns) become separated from the means to produce**. The dispossessed and poor gathered in the town and were subjected to low wages and punishment for "vagabondage". This is the beginning of the modern working class.

- Expansion of the market beyond local towns **increased competition, division of labour and specialisation in production** (with some towns specialising in the production of certain goods, such as cloth, lace, armaments) and this resulted in the **collapse of the guilds**.

- Specialisation in production meant that there was greater need for middlemen or merchants who could buy from one location and sell in another. This led in time to a **change in the relation between craftsman and merchant**, where the merchant began to organise production by putting out work to craftsmen working from home in “cottage industries”, especially in goods intended for export.

- **Emergence of colonisation** and a world economy and the destruction of indigenous production. Colonies were the source of raw materials and also markets for finished goods.

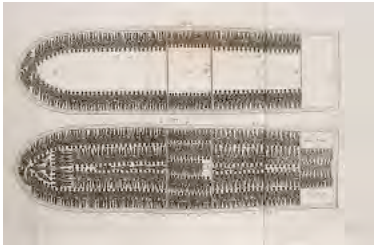
- Significant increase in transatlantic **slave trade**


NORTH AMERICA
CHESAPEAKE
NORTHERN U.S.
CAROLINAS/GEORGIA
GULF COAST
CUBA
JAMAICA
SPANISH CARIBBEAN MAINLAND
See inset
ATLANTIC OCEAN
EUROPE
ALL EUROPE
Black Sea
Caspian Sea
Mediterranean Sea
ASIA
Red Sea
Volume and Direction of the Transatlantic Slave Trade from All African to All American Regions
Number of slaves
5,000,000
1,000,000
200,000
SENEGAMBIA
SIERRA LEONE
FREETOWN
WINDWARD COAST
GOLD COAST
BIGHT OF BENIN
BIGHT OF BIAFRA
AFRICA
BRITISH GUIANA
DUTCH GUIANAS
FRENCH GUIANA
AMAZONIA
PERNAMBUCO
BAHIA
SOUTHEAST BRAZIL
RIO DE LA PLATA
SOUTH AMERICA
PACIFIC OCEAN
ATLANTIC OCEAN
ST. HELENA
WEST CENTRAL AFRICA
SOUTHEAST AFRICA
MADAGASCAR
INDIAN OCEAN
PUERTO RICO
DANISH WEST INDIES
ANTIGUA
SAINT-DOMINGUE
ST. KITTS
MONTSERRAT
GUADELOUPE
DOMINICA
MARTINIQUE
OTHER BRITISH CARIBBEAN
BARBADOS
DUTCH CARIBBEAN
ST. VINCENT
GRENADA
TRINIDAD/TOBAGO


TRIANGLE TRADE
NORTH
AMERICA
EUROPE
TOBACCO
SUGAR
MANUFACTURED GOODS
AFRICA
SLAVES
SOUTH
AMERICA

Trans-Atlantic Imports by Region
1450-1900

Region	Number of slaves accounted for	%
Brazil	4,000,000	35.4
Spanish Empire	2,500,000	22.1
British West Indies	2,000,000	17.7
French West Indies	1,600,00	14.1
British North America and United States	500,000	4.4
Dutch West Indies	500,000	4.4
Danish West Indies	28,000	0.2
Europe (and Islands)	200,000	1.8
Total	11,328,000	100



"Merchant's capital, when it holds a position of dominance, stands everywhere for a system of robbery, so that its development among the trading nations of old and modern times is always directly connected with plundering, piracy, kidnapping slaves, and colonial conquest; as in Carthage, Rome, and later among the Venetians, Portuguese, Dutch etc." (Capital vol 3, pg. 331)